CRITICAL REVIEW

A JOURNAL OF BOOKS AND IDEAS

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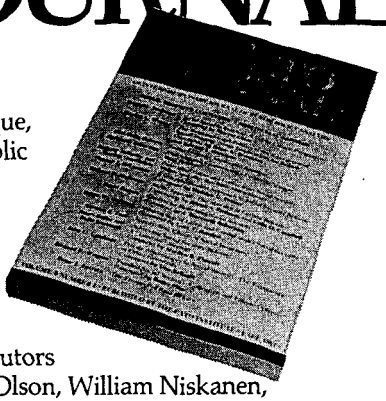

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by & about ABRAHAM EDEL

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Abraham Edel is research professor of philosophy at the University of Pennsylvania. He is the author of numerous articles and books, including *The Theory and Practice of Philosophy; Ethical Judgement; Science and the Structure of Ethics; Method in Ethical Theory; Aristotle;* and *Aristotle and His Philosophy.*

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EDITORIAL STATEMENT

Is Liberalism Viable?

Nothing would be easier than to read the divergent perspectives on liberalism presented in this issue as evidence merely of the renewed vitality of liberal thought. It is certainly true that liberalism—in the classical sense of a concern for individual freedom—is attracting more interest today than at any time since the nineteenth century, and that CRITICAL REVIEW reflects this interest. On the other hand, liberalism has been almost as insulated from the mainstream of contemporary thought as that thought has been from liberalism. In attempting to break out of this mutual isolation, such authors as are represented in this issue—even in the articles that have no direct connection to political theory—point in radically different, even contradictory directions. In confronting contemporary developments in all areas of the human studies, then, liberalism confronts also the question of its own identity; and the variety of answers suggests not only intellectual vigor but something of an identity crisis.

We propose no definitive solution to this crisis at such an early date. The intellectual adventure has only begun. We do insist, however, that in these pages liberalism be treated as a series of insights rather than as a political program. If liberalism is really to liberate, it must not harden into an ideology that closes minds rather than broadening them, or a doctrine whose imperatives stem from political concerns rather than from a search for truth.

By the same token, all aspects of liberalism should be open to challenge. If liberal insights are valuable, it is not because liberalism already embodies truth, but because it can help us discover it. We invite those with an interest in liberalism to offer their most rigorous criti-

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cisms of it, and those who consider themselves to be liberals to participate in the dialogue over how it is to relate to modern intellectual life. The diversity of views already expressed in these pages suggests that the future of the new liberalism will be exciting. But danger is integral to excitement—in this case, the danger involved in being open to fundamental questioning and doubt.

Regardless of the conclusions reached by thinkers using liberal insights, then, it is important to emphasize at the outset a more elemental aspect of liberalism: the open-minded questioning of all dogmas—even those traditionally associated with liberal political thought. This issue of CRITICAL REVIEW represents an effort to question liberalism—in the best liberal manner.

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Dennis Auerbach

LIBERALISM IN SEARCH OF ITS SELF

During the seventeenth century, pioneers of the liberal worldview sought to establish the form of "private man" and to construct a political order centered upon his protection. This man was seen as a product of nature, existing prior to human society and fully constituted outside of it. To define the natural sphere of autonomy of the private man is necessarily to find in nature a restriction of political authority, a boundary across which the state may not venture.

A major project of nineteenth- and twentieth-century thought has been to expose the "private man" as a fiction, to argue that man is in fact an empty shell when abstracted from history, tradition and the social bond. There is no pre-given human essence existing prior to society. Man is not first a child of nature who then engages in chosen social relationships; consequently, he has no recourse to unchanging, objective, ahistorical nature as a means of challenging the authority exercised upon him by society. Moreover, the liberal aspiration for ahistorical truth grounded in nature which may serve as an objective test against which traditions and social practices may be measured has been repudiated by philosophers who challenge the transcendental character of mental inquiry.

Taken together, these two strands of contemporary thought have served to challenge the notion of a legitimate state bounded in its authority by a sovereign private sphere—the sphere of civil society, inviolable by political authority. There are no longer any natural limits to political authority, nor may there be any strict separation of state

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and society, public and private. Rights, to the extent they are discussed, are not pre-social bounds to the power of the community over the individual, but are rather socially determined allocations of spheres of interest possessed by individuals within the community, which may be readjusted according to the community's changing needs. There can be no such thing as a non-interventionist state which simply allows civil society to run its course by enforcing rights grounded in nature, for the very definition of spheres of autonomy is a political act, not a mere recognition of something natural and pre-political. To then assign these political choices universal validity grounded in something beyond human choice—such as nature—is to reify our political choices and to insulate them from challenge. Of the latter, contemporary thought has judged the early liberals guilty.

The purpose of this article is briefly to outline the character of the "legitimist state" carved out by the early liberals, and then to describe in some detail the course and implications of its destruction by later thinkers. Finally, the article offers a way of thinking about liberalism which takes account of the objections of its critics and suggests that an affirmation of the liberal vision properly understood may not, in fact, be incompatible with the insights of modern philosophy.

The Foundations of Liberalism

Anthropology tells us that over ninety-nine percent of human history had passed before the origin of institutionalized structures of political authority. Just as it was not until Descartes that Westerners self-consciously asked themselves what they are entitled to know, it was not until Hobbes that the ultimate foundations of political authority over the individual began to be considered.

Hobbes seeks to develop a distinct science of politics focusing exclusively upon issues of power and sovereignty. Where Descartes resorted to radical doubt in order to construct an irrefutable epistemology founded upon the solitary individual, Hobbes derives his political science from a state of nature which also emphasizes the priority of the individual. This Hobbesian state of nature, ever-lurking beneath the facade of civilization, is characterized as a war of all against all. Because solitary individuals fear violent death above all else, they contract with one another to bring a leviathan into existence which will be charged with preserving social peace. This marks the origin of legitimacy. From here we can go on to define what the proper role of government should be.

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"All the duties of rulers are contained in this one sentence," Hobbes argues, "the safety of the people is the supreme law." For Hobbes, the state rules *over* society. It is the child of nature and is the entity which individuals can turn to if they are threatened with violence. The state is, therefore, not *of* society as it had been in the past. It is, instead, the embodiment of law which is impersonal and indifferent to particular ends. The state presides over violence, that is all. The ruler is separated from the ruled in a drastic manner.

John Locke also delves into the primordial state of nature and discovers that men are naturally possessed of inalienable rights. Fully constituted in their pre-social condition, they contract with one another and bring a state into existence in order to deal with various "inconveniences" which present themselves in this otherwise perfect system of social order. From this perspective, Locke concludes that the only legitimate function of government is to protect the natural rights of individuals. The rights to life, liberty, and property come first, the state, later. Because the existence of rights is the "natural" state, the violation of rights by a government can be regarded as a crime against nature and legitimately resisted by the individual. Once again, we see a pioneer liberal concerned with finding an out from accepted practices through an appeal to nature.

At each level, the liberal argument rests upon this injunction: Look at the laws which govern our world and you shall know we are right. Delve beyond what is said and done by society into the structure of nature itself and the liberal gospel of pre-social rights and a bonded private sphere will come to you.

The Destruction of the Legitimist State

We will focus here upon the specifically political attitudes of the early liberals and their evolution over time. Hobbes had been very careful to establish the state as a visible entity, completely cordoned off from other institutions of society. R. H. Tawney tells us in *Religion and the Rise of Capitalism* that during the centuries of the Church's dominance over European civilization, there had been no qualitative distinctions made between the state and the society of its origin. It is with Hobbes that we get an obsession with the question of legitimacy, with the idea that there is a legitimate context in which issues of power may be discussed and that this can be easily gleaned from the state of nature. Correspondingly, with Hobbes emerges a sovereign private domain from which politics is excluded. Questions of power involve men as citizens

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and are separate and distinct from the private lives of individuals. The state stands above all private conflicts and simply seeks to ensure that they do not lead to civil war.

The separation between the rulers and the ruled which Hobbes establishes was subjected to vigorous attack almost immediately. His emphasis upon the need for the state to suppress man's violent natural tendencies, to stand watch over this villain lurking in the shadows, is seen as something of a degradation of man as a social being, implying that the only reason individuals come together to form a society is to protect themselves from one another.

John Locke, who remains essentially a legitimist in his isolation of the state as the entity responsible for upholding individual rights, nevertheless anticipated the basic strategy of the revolt against Hobbes. Hobbes seeks to scrape together the band of hooligans found in the state of nature and to control them as subjects of a leviathan so that a secured private individual, free within limits to go about his business, might emerge. Lockean man in the state of nature, on the other hand, does not contract with his fellows in order to *exile* power from his life. The individual is not naturally a criminal, but rather a free and reasonable being living in relative harmony with others. There is no urgent need, therefore, to locate a place outside society into which relations of violence may withdraw. Power remains very close to society and exists only to facilitate natural cooperation among individuals.

For the sake of emphasis, we might say that the Hobbesian state exists in heaven, while the Lockean state is most assuredly a child of this earth. This is not to imply that Hobbes holds to any mystical or divine notion of what the state is. On the contrary, it is to emphasize Hobbes's belief that power must be so distant from the lives of private individuals that it will appear to exist in another realm, the higher realm of law. Since law is unchanging, coming as it does from nature itself, the sovereign power can remain rock-like in exile so long as it maintains its basis in natural law.

Locke's ultimate intentions are similar, but his optimistic view of the nature of man served in his thought to draw Hobbes's sharply separated state and society closer together. Still, the real destruction of the notion of a legitimate state, distinct from civil society, does not begin in Western political theory until Rousseau. From Rousseau onward, this destruction is invariably accompanied by a tightening of the social bond, by a rejection of man as essentially a private being in favor of a conception of man as fundamentally social.

If Hobbes's political philosophy is primarily concerned with legiti-

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macy, then Rousseau must be said to be absorbed in the matter of sovereignty. His state is an entity brought back from Hobbesian exile whose *raison d'être* is to embody the general will of the people. Ultimately, the state is to unify completely with society and disappear as a visible structure.

The "sovereign state," as we shall call this political entity of Rousseau's, does not really have an independent existence. As the agent of the general will, it seeks to break down the barrier between itself and society, thereby uniting the citizen and the private man in perfect harmony.

Rights for Hobbes and especially for Locke had been the rights of *excluding* oneself from the social bond so as to seek out the justice of nature. Rousseau, on the other hand, defines rights in terms of being *included* in the activities of a community. He provides no place of retreat from the social bond. Rights are *within* the political contract. They are the rights of citizens, not of private men seeking refuge from their fellows. "Every individual as a man," Rousseau writes, "may have a private will contrary to or different from the general will that he has as a citizen."

It is the general will of the citizen that Rousseau is interested in cultivating in order to provide men with "true" freedom. "Each of us puts in common his person and his whole power under the supreme direction of the general will; and in return we receive every member as an indivisible part of the whole." Instead of the right to peaceful independence, individuals now have only the right to be treated as an indivisible part of the whole.

It is assumed that if men would just allow their natural "reason" (impersonal) to take precedence over their artificial "wills" (personal, private, particular), a harmony of interests would be expressed through a common agency. When people do not act according to their "reason" it is an indication that they are alienated from a proper understanding of their humanity. Consequently, "individuals must be obliged to subordinate their will to their reason; the public must be taught to recognize what it desires."

Rousseau signals the twilight of legitimacy. With him, power becomes creative. It is no longer a restraining force but a liberating force—that is, one which liberates the individual from his isolation and particularity. The political is dilated and becomes woven into the social fabric with the consequence of all institutions of society becoming mobilized to further the general will of the community. The qualitative distinction of the state from society by virtue of its monopoly

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on the use of force is blurred. It will continue to be so in the centuries to follow.

The Hobbes/Locke conception of law is centered upon upholding something concrete in the face of all potential threats. Like the state, law is not historical. It is indifferent to particulars and merely serves to codify the rights of individuals in civil society and the state's monopoly on the use of force to protect those rights. The law is not fluid; it does not change with society or with the winds of ideological expediency. It is true that statute or "positive" law may, in fact, undergo transformation based upon shifting ideological currents, but this is always an aberration. For Hobbes, for example, there is no "Puritan" law or "Catholic" law. There is just *the* law existing in its divorced realm, subordinating the "positive" to its dictates.

For Rousseau, law is something quite different. He is not trying to protect or uphold constant standards, or a natural sphere of private autonomy, but rather to establish sovereignty among a group of people. Thus, law has only to be true to the social bond and man's needs qua citizen of civil society. Law *is* historical. The state and its law are agents used to further the cause of the general will and have no existence apart from this task.

Although this "progressive" strategy of keeping law fluid and open to historical evolution becomes an important threat to liberalism in the twentieth century, Rousseau is far from the most effective critic of "legitimist" liberalism. While he anticipates the major implications of the revolt against the legitimist state through his emphasis upon returning to the social bond, the mainstream of progressive thinkers do not begin arriving at Rousseau's conclusions until a much more fundamental critique of the liberal worldview is formulated. For this, we must look outside the liberal tradition to the nineteenth century's two most radical and brilliant thinkers: Karl Marx and Friedrich Nietzsche.

Marx, Nietzsche and Liberalism

Marx and Nietzsche construct the most thorough and coherent attacks upon liberalism as a philosophy. They do not limit themselves to particular aspects of liberalism but distance themselves from the system as such in order to demonstrate its pretensions, from the foundations on up. Focusing upon what is common to their critiques will serve to highlight the major tendencies of the antiliberal trend.

For Nietzsche, truth is the error without which a certain form of

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life could not survive. For Marx, truth is something accessible only to a privileged class at a particular stage of historical evolution; all other claims to truth are nothing more than the ideologies of domination employed by a ruling class to sustain the false consciousness of the oppressed. These respective conceptions of what constitutes truth are at the root of the radical political critiques developed by Nietzsche and Marx. They are the instruments with which they proceed to undermine the notion of legitimacy which stands so much at the core of liberalism. Both claim that questions of "fact" do not lie in the realm of disinterested forms, but depend upon the material situation of the subjective knower.

For Nietzsche, there are no objective standards in the world. There are only perspectives deriving from the functioning of will to power. Nietzsche's fundamental position on this matter is spelled out in the following paragraph:

> The falseness of a judgment is for us not necessarily an objection to a judgment. In this respect our new languages may sound strangest. The question is to what extent it is life-promoting, life-preserving, species-preserving, perhaps even species-cultivating. And we are fundamentally inclined to claim that the falsest judgments . . . are the most indispensable for us; that without accepting the fictions of logic, without measuring reality against the purely invented world of the unconditional and self-identical, without a constant falsification of the world by means of numbers, man could not live—that renouncing false judgments would mean renouncing life and a denial of life. To recognize untruth as a condition of life—that certainly means resisting accustomed value feelings in a dangerous way; and a philosophy that risks this would by that token alone place itself beyond good and evil.[1]

Truth is not something we contemplate but rather something that we create—indeed, must create—if we are to properly express the human will to power. The order which Descartes, Hobbes, and Locke had claimed to discover within phenomena is actually imposed to facilitate domination over a disorderly cosmos. The will to truth itself serves as a means of creating a level of certainty with which power loci can ground themselves and thereby establish independent, self-sustaining existences.

The genealogical method which Nietzsche develops in *The Genealogy of Morals* is employed as a means of unveiling the histories of current institutions and practices from the perspective of motivational analysis. It is the tool with which Nietzsche applies his conception of

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truth to an understanding of the actual world. Judaeo-Christian ethics is perceived as an option undertaken by an oppressed people to invert the morality of their masters and thereby gain the upper hand in the power relation. Defining "good" in terms of respect for life and "evil" in terms of callous disregard for the wills of others enabled the people of Palestine to regulate the domineering instincts of those to whom they were subject.

The ethical heritage which has been passed down through the generations of Western civilization is demystified and desanctified. It is merely the system of truths which were created by a civilization to serve a particular set of ends, or, in Marxian language, the ideology of a social grouping seeking to gain or preserve dominion.

What applies in the moral realm is true also regarding metaphysical facts. Being is not something that exists independently of man but rather is a value imposed by man so as to structure reality according to his degree of will to power. In nature, there is no such thing as the human subject, the principle of non-contradiction, or synthetic *a priori* judgments. These are merely the doctrines which Western philosophers have invented because our civilization's mode of being depends entirely upon their validity. The quest by Western philosophy to escape from the cave of contingent existence into the sunlight of timeless truth reflects the desire of Western man to emasculate the creative will and to grovel before a realm of forms independent of men.

Here we have a more all-encompassing version of Marx's theory of ideology—one which applies the method of analysis not only to classes but to entire civilizations. Marx had constructed a theory of truth based upon the notion that ideological superstructure derives from a society's material base. In his most polemical moments he denies the independent existence of thinking and seeks to regard consciousness as one commodity among others produced from within a set of material relations. Thus, a particular class within society will situate itself in the world based upon the structure of consciousness derived from its position within the productive relation.

The similarity between Nietzche's view of how Western man needs the notions of the autonomous human subject, of the non-contradiction axiom, and of synthetic a priori judgments, and Marx's view of how the bourgeoisie needs the ideology of free trade is striking. In both cases, the respective points of fact are dissected down to their material core. For Nietzsche, our form of life could not survive without the class of fictions which we have posited as true and eternal. Likewise, the bourgeoisie for Marx could not maintain its position of dominance

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without the ideology of free trade which makes its dominion seem rational and unalterable.

Nietzsche writes in *The Will to Power* that "belief in the body is more fundamental than belief in the soul." This is a variation of the materialistic claim that structures of thought are determined essentially by physical considerations and that the mental realm must take second place to an analysis of concrete material relations. Arguments of this kind undermine the transcendental and objective quality of mental inquiry by subjecting thought processes always to a consideration of the context from which thought is derived.

On this particular point, the difference between Marx and Nietzsche is negligible. Marx also believes in something like the "precedence of the body over the soul." In his critique of the Young Hegelians in *The German Ideology,* Marx makes some preliminary remarks on the fallacies of philosophical idealism:

> Since the Young Hegelians consider conceptions, thoughts, ideas, in fact all the products of consciousness, to which they attribute an independent existence, as the real chains of men, it is evident that the Young Hegelians have to fight only against these illusions of consciousness.[2]

Here he is attempting to undermine the sacredness of ideas, a project central to Marx's revolutionary agenda. Ideas are limited by the material, socially generated economic situation people find themselves in historically. And ideologies (such as religions) merely elevate these historical limitations—unseen by the Young Hegelians—to a transcendent, ahistorical status. Any such system of fixed truths is by definition reactionary since they tend to hypostasize a changing social reality.

Only when we understand that the dualism between the mental and the material is a false one, only when we view consciousness as inextricably bound to the social structure in which it exists, will we have a proper perspective on how liberation might be achieved. For Marx, no liberation of consciousness can occur until the reality which produces consciousness is altered. Once this revolutionary restructuring of material reality is achieved, the superstructure of a society will likewise give way since it has no way of sustaining itself apart from its social context. Neither the fact that the goal of revolution is to free the individual from social control, nor that the material reality which delimits our consciousness is actively created by human economic activity, mitigates the fact that Marx does see consciousness as bounded by eco-

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nomic imperatives. That Marx's materialism "occupies a middle position between classical materialism and classical idealism," because, like idealism and unlike classical materialism, it portrays man as the constitutor of the (economic) world, does not make its analysis of the contents of consciousness any less materialistic: human consciousness merely "furnishes reasons, rationalizations and modes of legitimization and moral justification for the specific forms [economic] activity takes."[3] Truths are therefore subject to radical alteration given an evolving historical setting. The theory of free trade is "true," but only with respect to the era in which the doctrine emerges as a predominant ideology of political economy. That is, its validity can only be determined within the realm of social praxis by understanding the historical rise of the bourgeoisie and its various class interests in the struggle to undermine the old feudal system of social order. The notion of free trade provided a formidable weapon with which to challenge policies of mercantile privilege. Indeed, the ideas of Smith and Ricardo were correct analyses of an early capitalism and provided a clear understanding of processes within the system of productive relations existing at the time.

We cannot, however, extrapolate from a historical epoch to some higher Platonic realm of truth functions. It is meaningless to say that free trade is universally valid as a doctrine, because the questions which the theory seeks to address simply do not exist throughout history. Material relations are in a constant state of change and so too is the realm of truth. What is true of one epoch is archaic for another. Knowledge is grounded in its historical setting.

For both Nietzsche and Marx then, truth exists to enhance power. What is primary is the physical, the quest for material advantage. The *will* to truth is, therefore, the truly interesting phenomenon and not truth itself. We should not ask "What is true?" but rather, "What does a particular individual, class, or civilization need to hold as true in order to enhance its power?" If we ask the first question, we perceive men as passive contemplators within a clearly defined universe. If we ask the second question, on the other hand, then we have adopted the perspective of man as making his own world, as positioning himself fluidly by way of self-consciousness according to the primacy of the physical. Both Marx and Nietzsche want to have the first notion correspond with acceptance of the liberal rationalist worldview and its unchanging objective law, and the second correspond with the adoption of a radical reorientation of self-consciousness as reflected in Marx's revolutionary class and Nietzsche's overman.

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The mindset inherited from the Enlightenment views the world as basically rational and subject to valid interpretation by human employment of the scientific method. From this view of the universe have emerged the doctrines of free thought, natural law, the sanctity of the individual, etc.—each derived from a belief in the cosmos as a unified whole following a predictable set of laws. Francis Bacon had written in the early days of modern science that "nature in order to be commanded must first be obeyed." We must proceed, in other words, from the assumption that there is something out there which needs to be understood by man if he is to successfully adapt his existence to the natural order of things. A substantial heritage of this philosophy is carried over into liberal democratic institutions. The idea of objective law, for example, derives from a belief that unchanging structures should exist in the world so that each individual can rationally ground an existence proper to his kind. The issue is the nature of truth: static or fluid.

Has not the "law" of dialectical materialism, though, always been at work in man's history, thus constituting an objective truth? Yes, but we might almost refer to this as a meta-truth, a truth of process rather than of substance—which again is not all that different in structure from Nietzsche's investigation of how Western man murdered God, and how this murder was inevitable given the will-to-truth paradigm implicit in the original creation of God. By the same token, Marx sees various stages of class domination deconstructing according to the internal contradictions of their structure. Capitalism deconstructs because its internal logic induces periodic crises which lead free capitalism ultimately to yield its opposite, monopoly capitalism. Both Marx and Nietzsche believe in *this* order of truth—the capacity to understand and extrapolate scientifically from historical process. In this sense, overman and the self-conscious proletariat stand at the "end of history" in much the same manner.

However, with the only truths being meta-truths of transformation, there is no place in Marx's or Nietzsche's system for such an order of truths as would contain economic laws, aesthetic criteria, human rights, or any other universally valid factual descriptions of phenomena. Nietzschean aesthetics, for example, deals only in terms of life- and power-enhancement, while Marxian aesthetics is intricately connected with the class struggle.

Here, the political nature of truth functions is obvious. Access to valid judgments, whether they be determined according to maximal manifestation of will to power or by action in the world unblinded by

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ideological mystification, is dependent upon *who* you are, upon your power relation within the social structure and within the world at large. The doctrines accepted by the bourgeoisie (such as free trade theory) do not need to be debated. They are "ideologies" developed during an era in which man was not yet positioned historically so as to be able to understand that the dialectic he exists within is one of continuous transformation in which negation is built into every moment. The system of Judaeo-Christian ethics is likewise, for Nietzsche, not something that we can debate on some divorced plain of pure rationality. We must, instead, do a genealogical investigation and realize that this moral code was developed at a time when man was not yet positioned historically so as to be able to understand that nothing is inscribed in stone and that everything is subject to transformation by the will to power.

This conveniently places Marx and Nietzsche in the position of not needing to criticize discursively the substance of arguments on behalf of free trade or Judaeo-Christian ethics. It suffices to demonstrate that these doctrines cannot possibly be valid given the context from which they were derived. Since people previously had not realized that what they believed were either errors held to be true (for Nietzsche) or ideologies (for Marx) and that the only "truth" lies in extrapolating from the realm of material interaction after transcendental mystifications have been swept aside, it hardly makes sense to discuss these "pre-enlightenment" beliefs with any degree of seriousness. They are remnants from days prior to the coming Golden Age, prior to the high-point of humanity, prior to the revolution that will bring history to an end. They need to be swept aside as rapidly as possible so that the beings who truly know how to posit correct criteria of evaluation (overmen and the revolutionary class—those of superior consciousness concerning "the way things are") may be allowed free rein in which to create their new worlds atop the ruins of the old.

This is what allows Marx and Nietzsche to remain persistently on the plain of negativity. We can see them both saying, "Live in such a way as to accept nothing of the old world, 'rational' or not, and only then will you know enough to be a revolutionary or an overman." The imperative is simply to undermine superstructures that freeze the process of transformation.

In this manner, the rational-humanist liberal worldview is undermined. Its central paradigm is abolished. No longer do we possess the ability to develop a rational social order and interpretation of the world

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based upon objective standards of evaluation. The institutions of liberal society which had depended upon the universal validity of individual rights, economic theory, objective law, and scientific method, are shaken by an opposing paradigm which refuses to even discuss liberalism on its own terms. Thus, it is pointless to defend economic theory against a Marxist or the right to life against a Nietzschean. They do not recognize these liberal criteria of arriving at "truth." Far from proposing new alternatives within the liberal paradigm, Marx and Nietzsche insist upon remaining outside of it and proceed to develop their own methods of evaluation by deconstructing the actual through the employment of motivational analysis. Thus, their radical politics must be seen to depend first upon a radical inversion of all preceding methodologies of epistemology and the social sciences.

From Marx and Nietzsche to Pragmatism

Marx and Nietzsche produce the most devastating critiques of the notion of fixed truths binding men for all time to a given set of standards. They are the most influential proponents of the view that liberalism was merely the ideology of a particular historical epoch and that any attempt to bind mankind forever to its worldview is reactionary in the extreme.

Having established the most radical version of this perspective, it is now possible to recognize more moderate versions within the same basic tradition. Similar themes, for example, can be seen within that movement in the United States which historian Morton White has termed the "revolt against formalism," which includes certain of America's most important social thinkers.

Oliver Wendell Holmes, the major legal theorist of the revolt against formalism, observes that: "The felt necessities of the time, the prevalent moral and political theories, intuitions of public policy, avowed or unconscious, even the prejudices which judges share with their fellow men, have a good deal more to do than the syllogism in determining the rules by which men should be governed." Like Marx and Nietzsche, Holmes wishes to undermine the liberal deductions of necessary, rational standards of governance which exist in a Platonic heaven by arguing that the axioms which these deductions rely upon were only posited because of the desire to embrace the conclusions which necessarily follow. Just as the discovery of non-Euclidean geometry demon-

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strated that Euclid's postulates were just arbitrary starting points for a chain of reasoning, Holmes follows the German radicals by declaring the same of the postulates of the earlier liberalism.

Law was never divorced from history. The "formalists" had merely wished for it to appear so in order to add extra weight to their legal ideologies. In Holmes's view, there are no a priori principles that can be turned to in the formulation of law (such as inviolable individual rights), since "truth" is dependent upon experience before all else.

The ideas of John Dewey follow along the same lines. Coming from the philosophy of pragmatism, Dewey too rejects all principles and argues that decisions and laws should be based upon experience and experimentation. In the broad sense, pragmatic philosophy as it has emerged in the United States through the ideas of Peirce, James, and Dewey, advocates only this: that we employ the best (political) model available for "getting what we want." And what is it that "we want"? The answer is implicit: control. Control over *what* is not important. We simply want a vocabulary which, without claiming self-evidence or universal validity, will help to describe and manipulate enough of our experiences that we can remain reasonably comfortable with them. While rejecting an absolutist conception of truth, pragmatism is perfectly willing to embrace the best model available for getting a handle on the environment—political or otherwise. It is "pragmatic" only in its willingness to change models as soon as the requirements of control are altered.

We have seen how transformation and the idea of creating new "truths" based upon changing material conditions underlies Marxian epistemology. The same is the case for pragmatism. Both philosophies, each of which provide a philosophical underpinning for two contemporary varieties of "progressivism," serve to tighten the social bond as never before—for reasons that will become increasingly apparent.

The pragmatists, like the Marxists, successfully close off any realms lying beyond experience and immerse the individual in his social being—that is, his citizen's status. Everything we say about the individual can only be said with regard to his social and historical context. Anything else, such as a private sphere which exists apart from history, is perceived to be unscientific and meaningless. For this reason, pragmatism and Marxism are both ideally suited to legitimize Rousseau's "sovereign state."

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Social Control in the Sovereign State

In the twilight of the legitimacy of a state bounded by an autonomous private sphere, the homogenization of society and the unification of the state with society become imperative. This is achieved by casting elements of heterogeneity to the fringes of the community and by generally aiming for a lessening of social divisions. When universality and classlessness are achieved, the state withers away by disappearing as a visible structure.

Formerly, in the theories of Hobbes and Locke, the state had been the stabilizing entity, always standing above and apart from society. The "sovereign state," on the other hand, is activist. It has no sacred tablet to preside over, no eternal mission to fulfill. It exists here and now for its citizens and its society. The sovereign state is free.

If we have dismissed rationalist derivations of legitimate and illegitimate exercises of political power, if we can start from no self-evident axioms in defining the allotted sphere of a political entity, then the state must rely upon something else to attain legitimacy. There have been a variety of solutions to this dilemma proposed since the problem first arose, ranging from achieving success in history to preparing the conditions for its own abolition. But almost invariably, the solution has involved emphatic attempts to reduce social divisions to the point of eliminating them.

In its effort to embody society, to become one with it, the sovereign state first needs to deny pluralism as an aberration and to construct a homogeneous social order expressing a unified general will. Rousseau was able to accomplish this by conceiving a dichotomy between the private will which a man has as an individual and the general will which he possesses as a citizen. Both tendencies are thought to exist within man; it is only a matter of intensity which one comes to ultimately determine an individual's attitude vis-à-vis the group. Rousseau, however, moves from here to define the private will as an alienated will, incapable of bringing man true civil freedom. It is only by expressing the general will that the individual can act in harmony with society and reap the rewards of civil association.

Marx develops a neo-Hegelian variation of this theme by constituting a social/private dualism in terms of proletarian vs. bourgeois consciousness. The bourgeois can be seen as somewhat equivalent in Marx's system to the private will in Rousseau's. Bourgeois consciousness too is alienated and seeks to stand apart from the historical dia-

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lectic. The bourgeois is a fragmented being who can never join the universal class because of his distance from the social bond. Proletarian consciousness, on the other hand, is universal, and expresses the perspective of a man who is not alienated from his fellows by the competition of civil society (i.e., capitalism).

A third variation can be seen in the pragmatic philosophy of Dewey where the dualism is reformulated in terms of participation in directed social activity vs. isolated human interaction divorced from a larger social context. Once again, the "private" sphere of the individual is thought to be empty and alienated, and is subordinated to a tendency in man which seeks fulfillment through the social bond.

What is the role of the state in each of these cases? It is to be the agent of man's social tendency directed against his private domain. In Marxism, the state is the vehicle of the proletarian class, seeking to abolish itself by rooting out bourgeois vestiges from the social body. As long as the state is separate from society, it is regarded as nothing more than an agent of class domination. Once class division is replaced by the merely technical division of labor, the need for the state is eliminated. Proletarian consciousness becomes universal and the state has withered away.

However, in the process of withering away, the state actually becomes strengthened, for the attempt to engineer proletarian consciousness fully into existence requires a dilation of the political realm into diverse areas of social life. All institutions of society are removed from "civilian" duty and enlisted to the task of coordinating a unified polis in which the general will reigns supreme. As Bernard-Henri Lévy has put it:

> Liberalism tolerates and feeds on division, deviance and dissidence because its Prince, distinct from the social organism, both signifies and remedies the plurality of worlds; on the contrary, totalitarianism does not tolerate the slightest difference, but crushes and absorbs it, because its Prince has become an ogre devouring his creatures, the great bogeyman who expands his own body to the dimensions of society.[4]

Marxism abandons the notion that there is a legitimate sphere of power and a separate sphere lying apart from the political, from which power must maintain a strict distance. This supposed separation is proclaimed a bourgeois fantasy deriving from the mistaken belief that there is a natural man possessed of private rights who stands outside of history and productive relations. All of society becomes fair game for

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manipulation by the proletarian entity seeking to reconcile social divisions. While the goal is to eliminate the state/society gulf by eliminating the state, what actually happens is the closing of that gap by the elimination of society.

This is true also of the bureaucratic state spawned from the philosophy of pragmatism. Here, the state also repudiates definite boundaries limiting its sphere, demanding full capacity to adjust to experience in its effort to coordinate social affairs intelligently. This necessarily involves enlisting a variety of institutions for the project of driving man's private realm from the field of political discourse.

Without a legitimate, ahistorical function to fulfill, the state must achieve internal harmony within the society of its origin, based upon the prominent doctrines of socialization of the day. If it cannot be a legitimate moral entity, it must at least be "scientific" in its exercise of power and strive to homogenize society within an accepted paradigm of institutional rationality. From this perspective, the Marxist sovereign state is only an extreme, uncensored form of the Western bureaucratic state. While the Western version of this political entity is somewhat restrained by the heritage of the earlier liberalism—which, as Lévy points out, feeds on division, deviance, and dissidence—the Marxist power structure, guided by an unambiguous ideology, knows no such limits and proceeds ahead full force to accomplish complete unity between the state and society.

Liberalism Without Mirrors

Liberalism's prestige had depended upon the foundations provided by its pioneers. Here at last was Reason embodied. Power would be strictly exiled and kept in check so that the free flow of social interaction could proceed peaceably. Lévy has a very sensitive insight into certain qualities of the polis which emerged explicitly during the seventeenth century, surviving until the revolutionary changes of the twentieth:

> Every society believed it was created by an Other, its authentic sovereign, and the King was never anything but his pale and provisional substitute. Every political philosophy applied itself to externalizing its basis, expelling its legitimacy, and projecting it into an Elsewhere that hovered like a great shadow over the uncertain course of the world. For a long time this was God himself, author of the tables of the law, the ab-

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> sent prime mover of a cosmic machine, the benevolent and distant father of the occupants of the throne. He was succeeded by the People as defined by democrats, but we must remember that it was never described as anything but a replacement for God, invisible like him, disembodied like him, and like him an impossible presence. In the face of this, totalitarianism says, and it is the first to do so, there is no supreme authority from which the Prince derives his justification; there is no absent Sovereign to whom he must submit; he and he alone is the Sovereign, ruling without limit and in solitude over the earthly kingdom.[5]

Marx and Nietzsche exposed liberalism's transcendental order as Platonic fictions, invented to secure an other-worldly endorsement for the society they had established. This line of attack became common among much of the Western intelligentsia. The repudiation of law and the state of law became widespread, culminating in the philosophies which have dominated the twentieth century. To look for self-evident truths and absolute foundations for the political order is dismissed as an archaic remnant of the religious past. The message of the twentieth century has been that God was not killed off quite enough with the Enlightenment, for people still believed in order and truths flowing directly from the structure of nature.

Natural rights are cast aside first as the most obvious religious fallacies. There is no God to grant individuals these rights, and there is no primordial state of nature in which they exist before being usurped. Locke simply dreamed up this idea and made it appear as a self-evident axiom. Because rights theory happened to serve a particular set of interests at the time of its formulation, the idea became instituted as a universal truth binding society forever. A society based upon rights was defended as a mirror of nature, above history and not subject to being undermined by experience.

Utilitarianism served as a stand-in defense of liberalism, depending upon a scientific appraisal of human beings as seekers of pleasure and avoiders of pain to justify promotion of the greatest good for the greatest number. But this too gave way before such Nietzschean quips as "Men do not desire pleasure; only Englishmen do." Benthamism could not stand for long as the final implications of the destruction of transcendence were registered.

Further down the road, philosophers like Martin Heidegger concluded that the Cartesian "*ego cogito, ergo sum*" does not provide us with an ontological fact which Descartes happened to discover, but only serves as an arbitrary metaphysical ground by which to justify a given set of individual-centered practices.[6] Nietzsche tells us convinc-

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ingly enough in his *Genealogy of Morals* that the human subject itself is a fiction, invented because of man's incapacity to direct his life drives outward. And more recently, Michel Foucault determines that the individual as a category came into existence only at the end of the eighteenth century, and is now fading rapidly from the scene, "like a face drawn in sand at the edge of the sea."[7]

These are but examples of a dominant trend. They shatter the idea of "an authentic sovereign for whom the Prince is a mere stand-in." They mutilate the notion that there is anything fixed which can be looked toward in the effort to define legitimacy in the political realm. The most we can hope for is to control the environment, to dominate the process of transformation which characterizes our world. Thus, Marxism calls for mastery of historical evolution while pragmatic bureaucratic philosophy stresses integration and reconciliation of internal divisions. The society's ability to dominate its environment, to be sovereign over all possible influences upon it, becomes the only guidepost of measurement remaining in the absence of fixed standards.

The state is no longer a judge or a watchman. It becomes an agent of mastery for society. The state is the structure which allows society to define itself by achieving internal unity of purpose. (This, perhaps, is what Marx's "end of history" comes down to when all is said and done.)

To recognize that this has been the consequence of the destruction of legitimist liberalism is not to say that it is a necessary consequence. It does, however, define the inescapable context from which we must evaluate liberalism's fate.

Modern philosophers tell us that the early liberals were simply attempting to institutionalize and reify a language game focused upon abstract individuals, rights, and contracts. Yet this was something more than just another paradigm of social order, more than just another theory lined up beside the vast plenitude of doctrines which have composed the political debate of the West. Liberalism spoke for the first time of something other than the duties of the citizen. It attempted to define someone who stands outside of the social bond, someone who has no duties but is rather possessed of things called rights which it is the responsibility of states to secure. The effect of the liberal project was to create a barrier for the individual against society, an inviolable island of freedom around the human being to which he could retreat in the effort to affirm the value of his own independent existence as a responsible moral agent.

Yet this mission was left unarticulated as the liberals themselves re-

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treated to the realm of ontology in order to justify the language game which they proposed. They hoped to *describe* the individual as politically free, to recognize this innate characteristic, and to argue that it had always existed—only to be suppressed by the artificial chains of power. Atop all the charges of naiveté that Marxists and Nietzscheans were ultimately to hurl at them, perhaps we can add that these men of the seventeenth and eighteenth centuries did not really understand the concept of freedom.

Rousseau believed "man is born free, yet everywhere he is in chains." But, as Thomas Szasz has pointed out, "if freedom is the ability to make uncoerced choices, then man is born in chains. And the challenge of life is liberation."[8]

Man is indeed born in chains, as are human societies. There is no state of natural freedom that existed before the advent of power. If institutionalized structures of authority were absent within primitive societies, it was only because social control was so intricately woven into the social fabric that the exercise of power did not need to be explicit. It was far into Western history before the language game of individualism and subjectivity emerged on the scene. Even the Greeks lacked the concept of the individual as a responsible agent with a personal history and with an existence which could be defined in other than social terms.

The individual was defined by his society, by his "herd" to put it in Nietzschean terms, long before he ever began to define himself. He was a "thing," an object which needed to be welded into a social web guided by ritual and strict, monotonous order. Man was only the "citizen"; there was no private man lurking in the shadows. In Greece, the Athenian was an Athenian[9] and the Spartan was a Spartan, and there was nothing more to be said.

It was only with Socrates and Plato in Greece and with the monotheist tradition in Palestine that man began to be thought of as something else, as an entity above and beyond what society makes of him. The ways of society began to be questioned in the name of something higher—the Platonic world of forms and the monotheist God. It was here that the problems of ethics, the problems of free choice and personal responsibility were born to replace unreflective obedience to the ways of the community. That this phenomenon depended upon the higher, transcendental world was not lost on the critics of this tradition and they have striven to make new (pre-Socratic) Greeks of modern man, model citizens with fates inextricably linked to the polis. The private man, that child of fictions, has been subdued, slandered, exiled,

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and murdered in the effort to leave only the form of this Greek, this citizen, to participate in the great societies envisioned by this century's reformers and apostles of progress.

Wittgenstein has argued that language is a game and a social activity rather than a tool with which to describe a well-defined universe. He more than anyone else has taught us that the language centering upon individuals and subjectivity is not obvious and built into the structure of reality, but that it is a perspective, a form of life, and a tentative one at that.

The task of an invigorated liberalism today is to preserve and intensify that game. We have seen how man the citizen has been defined as the child of society and how man the private individual has been defined as the child of God or of nature. The latter would always form a constraint, a barrier over which treatment of man qua citizen could not cross. In Hobbes, the private sphere is limited to life itself. In Locke, it becomes extended to liberty and property. In Rousseau, all natural freedoms are yielded in favor of civil freedoms. In Marxism, as in pragmatism, man becomes nothing more than the empty shell of raw material for the engineers of the great society, in an ironic reversal of the original libertarian impulse.

The progressive lessening of constraints which the private sphere has imposed upon the public has been accompanied by the increasing philosophical turn away from viewing man as an ontological entity. Instead, he has become a mere locus, a creation of language and of evolution, who can only attain to something substantial by giving himself over completely to the social bond.

In continuing to affirm the liberal vision in the face of this, it is not necessary to deny the historicity of our understanding or to demand the universal validity of our concepts. It is only necessary that we recognize the liberal vocabulary as the only one which, here and now, offers the possibility of locating in the private man a constraint on the exercise of unlimited political authority and a rationale for challenging the specter of the unbounded state as it has manifested itself in our century. The private sphere is no longer pre-social, no longer literally "inside" man set in opposition to the external world—as it had been in traditional liberalism. It is rather *in* the social world, a product of our choice, of a language for describing ourselves which we have learned from tradition and continue consciously to affirm.

As Robert Nozick has argued in his *Philosophical Explanations*,[10] our belief in such notions as freedom of the will is premised upon the fact that without this concept we feel diminished, the mere playthings of

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hidden forces over which we have no control. Our belief in free will cannot be supported by a knockdown argument which will convince skeptics beyond the shadow of a doubt, for it is a point of view upon human life derived from a very personal commitment to uphold the dignity of our existence.

The same can be said of liberalism. Without an ontology to support it, liberalism remains a doctrine capable of rendering the individual inviolable against those who would use him as but a means toward the achievement of someone's vision of a good society. Without this language game which carves out the individual and his sphere, we become the pliable objects of power and are robbed of any right to self-definition. A liberalism understood in this way is a philosophy which edifies and frees, and it is a philosophy dependent first and foremost upon a sense of life.

Albert Camus has eloquently described the manner in which rebels against despotism in the eighteenth century would go to their deaths with words that God would absolve them. Nineteenth-century revolutionaries in Russia, on the other hand, having denied God, would go to their deaths only with the thought that the glory of future generations would justify their martyrdom.[11] Perhaps now we have matured sufficiently to realize that any rebellion on behalf of individual autonomy is not a tool of heaven or of a deified history, but rather that we have and always have had nothing to turn to in this endeavor but ourselves.

NOTES

1. Friedrich Nietzsche, *Beyond Good and Evil,* tr. Walter Kaufmann (New York: Random House, 1966), sec. 4.
2. Karl Marx, "The German Ideology," in Robert Tucker, ed., *The Marx-Engels Reader* (New York: W. W. Norton & Co., 1978), 49.
3. Shlomo Avineri, *The Social and Political Thought of Karl Marx* (Cambridge: Cambridge University Press, 1968), 69, 76.
4. Bernard-Henri Lévy, *Barbarism With a Human Face* (New York: Harper and Row, 1979), 142.
5. *Ibid.*, 139.
6. Martin Heidegger, *Nietzsche* (San Francisco: Harper and Row, 1982), vol. 4.
7. Michel Foucault, *The Order of Things* (New York: Random House, 1970).
8. Thomas Szasz, *Ideology and Insanity* (Garden City, N.Y.: Doubleday, 1970), 1.

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9. Or at best, a member of some ancient family, fatalistically subject to its curses and god-divined destiny.
10. Robert Nozick, *Philosophical Explanations* (Cambridge: The Belknap Press of Harvard University Press, 1981).
11. Albert Camus, *The Rebel* (New York: Alfred A. Knopf, 1956), 166: "The future is the only transcendental value for men without God."

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Chandran Kukathas

CONSERVATISM, LIBERALISM AND IDEOLOGY*

CONSERVATISM: DREAM AND REALITY

by Robert Nisbet

Minneapolis: University of Minnesota Press, 1986. 118pp., $9.95 (paper)

LIBERALISM

by John Gray

Minneapolis: University of Minnesota Press, 1986. 106pp., $9.95 (paper)

IDEOLOGY

by David McLellan

Minneapolis: University of Minnesota Press, 1986. 99pp., $9.95 (paper)

All societies are more or less complex systems of rules, of symbols and signs directing and constraining individual behavior. The task of the social theorist is to analyze and uncover what order may underlie such structures. In this regard he faces at least two major problems. First, he has to determine how far the rules or norms which govern human action define the distribution of power, responsibility and resources, and so determine the relative value placed upon such goods as education,

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art and scientific inquiry, and how far the existing *structure* of distribution of power and resources is itself responsible for the prevalence of particular rules. Second, he has to determine how far the analytical methods he brings to the study of his subject are genuinely tools which facilitate social inquiry, and how far they embody presuppositions which do not so much aid investigation as pre-determine its results. In both cases the theorist confronts questions about ideology.

In the first case, the theorist deals with ideology insofar as he is forced to examine the problem of the relationship in any social structure between ideas and interests. For any worthwhile explanation of social action must offer some account of how material circumstances affect, or are affected by, the moral, religious, scientific and political beliefs, customs and conventions which obtain in a society. What the theorist cannot or should not do is uncritically to presume that the assumptions implicit in those beliefs or customs or conventions can themselves explain the operations of society. To do this would be simply to offer a report of a society's self-image, of its ideology, rather than to explain society's workings.

For example, it would be an inadequate explanation which described the agencies of the state (the legislature, the police, the various bureaucracies, and the judiciary) as disinterested servants whose actions are governed purely by their terms of reference and not at all by any more parochial interests. For this picture assumes that the distribution of power and resources is more or less the result of the state's functioning within the formal constraints that guide it. Thus legislatures, with the aid of a disinterested bureaucracy, make laws, which are upheld by the judiciary and enforced by the police, to serve the common good. Generally, this picture is not questioned by society: by its citizens or its non-state institutions such as the press.

Yet while each individual is at liberty to accept his society's public self-conception, the social theorist is not. His concern is explanation. And explanation demands that he look behind the self-image, behind what we might call the ideology, to see what kinds of social relations do in fact prevail. Many, if not most, social theorists recognize this. Thus theorists of the Public Choice school, for example, seek to show how the actual distribution of government expenditure is better explained by the nature and power of interest groups and the structure of incentives in society than by the public philosophy of the welfare state, while some Marxist theorists seek to show that the structure of social relations embodied in the legal and political order is merely a facade concealing the character of the more fundamental economic arrange-

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ments that persist, arrangements in which the interests of one social class predominate. (To be a student, or critic, of ideology, however, it is not enough simply to look *behind* the facade or self-image. It is also necessary to explain how and why ideology is generated, and what part, if any, ideology plays in the workings of society.)

The social theorist also confronts a problem of ideology in a different sense. For if he thinks that the beliefs and conventions of society must be understood as largely governed by the prevailing structure of interests, he must also concede that his own methods of social inquiry, conforming as they might to what he thinks are acceptable scientific standards, may well be governed by something other than a disinterested concern for truth. In short, his arguments and inquiries may be less "scientific" than "ideological." They may be governed by presuppositions which reflect the interests of his society, or of his immediate social grouping (such as the scientific community), rather than by assumptions which are defensible by some more "objective" standard. Much of the argument in the philosophy of the social sciences has been about what kinds of social explanation can properly be regarded as scientific, and so as valid, and what kinds of explanation are "merely" ideological.

But what, precisely, is meant by ideology? This is a question which has itself aroused controversy. David McLellan's short book, *Ideology,* intended as "the briefest of introductions to an extremely slippery subject," is an attempt to get a handle on this problem. And the attempt is made by tracing the efforts of various thinkers, the first notable one being Marx, to "find a firm Archimedean point outside the sphere of ideological discourse, an immovable spot from which to observe the levers of ideology at work." Tracing the career of the concept over two centuries, McLellan also examines the different Marxist conceptions of ideology to be found in the writings of Lenin, Lukács, Gramsci, and Althusser, before turning to the non-Marxist traditions, and particularly to the work of Mannheim. From here he goes on to look briefly at a positivist claim which he thinks survives largely in America: that social science can be non-ideological. This opens the way for a discussion of the criticisms of this view emanating mainly from the Frankfurt school.

In an all too brief concluding chapter, McLellan identifies two strands of theorizing about ideology. In the first strand the dominant contrast made is one between science and ideology. This science/ideology dichotomy is to be found both in the Marxist traditions and in the empiricist English-speaking tradition, which differ essentially

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over *conceptions* of science/ideology. The other strand of thinking, however, emphasizes the problems of studying society, suggesting that the social theorist cannot completely escape the interest-dominated perspective in which he finds himself.

Can Ideology Be Overcome?

The conclusion McLellan moves toward in his attempt to elucidate the concept of ideology is that any successful account of ideology must recognize, on the one hand, the inadequacy of the science/ideology dichotomy, and on the other hand the inadequacy of any view suggesting the omnipresence of ideology. Ideology, he wishes to maintain, "is best viewed not as a separate system of signs and symbols that could be contrasted with—and eventually replaced by—another, e.g., science of some sort. Ideology is rather an aspect of every system of signs and symbols in so far as they are implicated in an asymmetrical distribution of power and resources." In effect, this means that the two problems of ideology confronting the social theorist are not, as my earlier distinction suggests, separate problems but, rather, aspects of the same problem. The social theorist is confronted by a world in which ideas play an important part, but also one in which those ideas are not wholly autonomous but are in some way related to material circumstances and interests. The ideas or methods he might use to investigate this world are themselves implicated in its operation; they cannot be viewed as, or refined into, neutral instruments with which we might dissect and analyze the rest of the world of ideas. We cannot use non-ideological tools to evaluate ideological phenomena. Thus it is unlikely that there can ever be an "end to ideology" as, he suggests, both the Marxist and the "Enlightenment, rationalist, empiricist" traditions have hoped.

It is difficult to evaluate McLellan's position, largely because it is offered in a series of critical observations about the arguments of the various theorists of ideology whose views are discussed in his book. He is admirably clear when elucidating the views of Marx, Mannheim, and Habermas, and in identifying the difficulties in their respective accounts of ideology. But little space is devoted to offering his own account of ideology, as opposed to indicating what such an account must do. It must, he says, combine two attributes: the first is "a hermeneutic subtlety which both sees that it is necessary to understand ideology before criticizing it and also adopts a self-reflexive attitude towards its own premises"; the second is a concern "to preserve the

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concept's critical potential by linking it with analyses of control and domination, thereby extricating it from the labyrinth of relativism associated with the hermeneutic circle." Yet what precisely this means or would involve remains obscure and undeveloped. For if ideology is not to be contrasted with science, and is not pervasive or omnipresent but is, rather, an "aspect" of every system, what is ideology?

What I think McLellan may mean is that we can come to a better understanding of ideology if we look critically at the premises of our arguments—by seeking, as Mannheim suggested, their social determinants, and recognizing how they are implicated in the system of ideas which control or dominate human activities.

McLellan's recommendation is, I think, mistaken. If we try to come up with an account of ideology by following his strictures, by adopting a "self-reflexive attitude" toward the premises underlying our investigation, the first problem that emerges is that of how to adopt such an attitude. What is a "self-reflexive" attitude? If it is a *critical* attitude, the question is, how might one adopt such an attitude given that one's attitudes are already implicated in the ideological structure (and, arguably, beyond one's control)?[1] Moreover, it is unclear how adopting such a stance can help to uncover the nature of ideology. McLellan's suggestion that a successful account of ideology must recognize the need "to understand ideology before criticizing it" is even more puzzling. For it really tells us nothing about how we are in fact to account for ideology.

The problem is that McLellan's suggestion has it backwards. We cannot come up with an account of ideology, or what is ideological in the social world, merely by reflecting more seriously on the nature of our arguments and assumptions, and leaving the task of social criticism until this reflection is completed. Rather, it is the very process of criticism of theories, ideas and institutions which enables us to uncover what is ideological: what is the product of particular interests or generated largely by the dominance of particular social powers. By allowing criticism to eliminate false theories we place ourselves in a better position to identify those explanations which are ideological or founded upon some prejudice. This does not, of course, guarantee that we shall always be able to distinguish explanations sustained by ideology from those which are not. (And certainly, as McLellan himself notes, a theory whose success is determined by social factors is not for that reason alone false.) Yet it is only by exposing all explanations to criticism that we are likely to identify those of them that could *only* be

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sustained by the power or dominance of particular social interests and therefore would not be able to resist critical challenge.

Now one objection which will be raised against the above view is that it is itself an ideological position. Or at least in part: as McLellan puts it, ideology is an aspect of every system insofar as its signs and symbols are implicated in an asymmetrical distribution of power. "And of which system," he asks us, "is this not the case?" Yet the objection is raised too hastily. For once it is recognized that the view that all explanations should be open to criticism must itself be open to criticism, we can see that it might well be sustained, not because of the strength of particular interests, but because it is logically resistant to attempts to refute it. At any rate, it would not do to brand this view as simply "ideological" without some argument *showing* why it is so.

None of this, of course, is to suggest that McLellan is wrong to say that ideology may be an aspect of all social systems. And indeed, he is quite correct to insist that any definition of ideology "whereby it is any and every action-oriented set of beliefs organized into a coherent system" is unduly restrictive, and "robs the concept of its critical edge." Ideology is a feature of the social world more generally, and not simply of belief systems. Yet not every aspect of the social world is ideology; so some account is needed of how we might distinguish ideology from other aspects of that world. One promising way of proceeding is to take up the contrast Popper offers (and which I discuss below) between ideology and objectivity, with objectivity understood as a feature, not of belief systems or of consciousness, but of the social world of ideas and explanations.

The virtue of Popper's view distinguishing ideology from objectivity (or science) is that it takes seriously the problem the theorists of ideology, such as Mannheim, identify: the problem of the social determination of ideas. Yet if we are all suffering under our own system of prejudices, Popper suggests, we must be even more radically skeptical than these sociologists of knowledge. This means recognizing that we cannot hope to purge ourselves of our prejudices by socio-analysis. We cannot "climb to a higher plane from which [we] can understand, socio-analyze, and expurgate [our] ideological follies."[2] For this reason objectivity is better understood as something we approach if the social order is one in which public institutions facilitate rather than obstruct free criticism of arguments, of beliefs and practices and of social institutions themselves.

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Can Liberalism Be Defined?

This conclusion, however, raises the larger question of what kind of social order, precisely, is a defensible one. This is a question which McLellan's analysis does not take him to. But it is the subject of the two other books published along with his in the University of Minnesota Press series "Concepts in Social Thought." John Gray's *Liberalism* and Robert Nisbet's *Conservatism: Dream and Reality* describe and defend competing political visions which we might now examine with profit.

Both books define the philosophies they defend by contrasting them with rival political outlooks. And both share a common enemy: socialism. But before proper sense can be made of the similarities and differences between these two viewpoints, some terminological questions must be settled. The term "liberal," as has often been noted, has different meanings in Britain and in the United States. In Britain it is more readily associated with the classical liberal tradition, the tradition of political thought which has its roots in the writings of Locke, Hume and Adam Smith, and is more easily contrasted with the ideas of democratic socialism. In the United States, however, the divide between liberalism and certain forms of socialism is much less clear. Indeed, one prominent American defender of "liberalism," Bruce Ackerman, in his book *Social Justice and the Liberal State,* is willing to describe himself quite explicitly as a democratic socialist. So when reading John Gray's book it should be noted at the outset that the "liberalism" he defends is a form of classical liberalism. It should equally be recognized that the "liberalism" Nisbet criticizes is not so easily identified with the classical liberalism of Gray's account.

This terminological ambiguity does, however, present the occasion for the most striking, and interesting, thesis of Gray's book: that there is an important contrast to be drawn between classical liberalism and the "revisionist" liberalism of modern times. The decisive break in the liberal intellectual tradition in the last century came, he argues, "not with the abandonment of natural rights theory for Utilitarianism or the replacement of a negative conception of liberty with a positive one, but instead with a new and hubristic rationalism." For while the classical liberals of the Scottish Enlightenment, and French liberals such as Tocqueville and Constant, had recognized man's incapacity fully to grasp the complexity of society, let alone to control it, the new liberals "sought to submit the life of society to rational reconstruction." Thus while the classical liberals saw progress as a by-product of free ex-

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change, the modern liberals in effect identify progress with the realization in the world of a specific conception of a rational society. This feature of modern liberalism may readily be identified in the thought of John Stuart Mill. The results of this intellectual transformation, according to Gray, are quite plain: "Once progress is conceived as the realization of a rational plan of life rather than as the unpredictable exfoliation of human energies, it is inevitable that liberty should eventually be subordinated to the claims of progress." And that is, undoubtedly, what we have seen in this century.

Yet this thesis raises its own question. If there has indeed occurred so decisive a break in the liberal intellectual tradition, what warrant have we for calling modern liberalism "liberal"? Why, for example, should John Rawls, whose work Gray praises, be regarded as a liberal—even if not a classical liberal? This question cannot be answered without offering a fuller account of liberalism, and of the philosophical ideals which lie at its heart; and this is what Gray's book attempts to do.

Liberalism, in Gray's view, constitutes a single tradition, rather than two or more traditions, in virtue of four shared elements which compose the liberal conception of man and society. First, liberalism is an *individualist* philosophy which asserts the moral primacy of the person against the claims of any social collectivity. Second, it is *egalitarian,* according all individuals the same moral status. Third, it is *universalist,* affirming the moral unity of humanity and giving secondary importance to specific historical associations. And, finally, it is *meliorist,* affirming the corrigibility and improvability of all social institutions and political arrangements.

On this account, Rawls's theory seems to fall clearly within the liberal canon and, indeed, Gray suggests that not even the many difficulties in Rawls's work compromise his achievement in developing an individualist defense of the liberal order in contractarian terms.

What is troubling, however, is that Rawls has tried (implausibly, as Gray rightly notes) to maintain that the conclusions of his theory of justice do not establish so much as a presumption in favor of free-market economic systems over socialist ones. Moreover, nowhere in his elucidation of his theory does Rawls accord any special weight to what many would regard as a fundamental liberal freedom: freedom of contract. What both of these observations point to is a distinction, implicit in the political theory of Rawls and other "modern" liberals, between economic and non-economic freedoms, a distinction which operates to deny the moral significance of the former.

But is it plausible to regard as liberals those who argue for a polity

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in which the state is justified in extensive involvement in vast areas of individual activity, so long as it respects certain (undoubtedly important) freedoms such as freedom of speech and freedom of worship? Such "liberals" do indeed show all individuals "equal concern and respect" (to use the phrase Ronald Dworkin, a self-proclaimed liberal, employs), and they may also be described as "universalist" and "meliorist." But they also fail to emphasize the (classical) liberal concern that, as far as possible, individuals should have control over, and be responsible for, their own lives. The government, on this latter view, should show the individual less concern and more respect. Since the revisionist liberal view would disagree with this, it would seem that we can rightly regard it as liberal only if we maintain that according individuals control over and responsibility for their own lives is a secondary and not a fundamental concern of liberalism.

Now it may be that this is necessary if we are accurately to characterize the view of those modern liberals who, while in disagreement with the proponents of *classical* liberalism, are nonetheless closer to being liberals than they are to being conservatives or socialists. Yet if this concession is made, it will be necessary to recognize that several other theorists hostile to liberalism are by this account liberals. G. A. Cohen, Professor of Political Theory at Oxford University, for example, is a Marxist by reputation and by his own admission; yet his views incline him to defend a variant of market socialism in which individuals are entitled to the same freedoms that Rawls and Dworkin would allow. Does the fact that his political philosophy is individualist, egalitarian, universalist and meliorist mean that he too should be regarded as a liberal thinker?

None of this is, of course, to suggest that Gray is unaware of these difficulties, and his book, while thorough in its attempts to elucidate the conflicts and arguments within the liberal tradition, is also quite clear in its formulation of a particular *conception* of liberalism which he thinks worth defending. So we should turn now from these terminological issues to the more substantive question of what distinguishes liberalism from other social philosophies. And here the contrast Gray draws between liberalism and conservatism is instructive.

Is Conservatism Really Liberalism?

What most clearly characterizes conservative thought, according to Gray's account, is a hostility to *rationalism*. This is not to say that all

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conservatives have refused to engage in any theoretical reflection on political life, for we find in the works of Hegel, Burke and Oakeshott, among others, writings which are fully as systematic as anything liberal writers have produced. (Although one might query Gray's placing of Burke in the camp of "systematic" thinkers!) Nonetheless, conservatives have been highly critical of what they identify as the rationalist strain that runs through liberalism. And, in the end, conservatives insist that the central feature of political life, the relation between subject and ruler, cannot be explained or justified by liberal philosphy. For liberalism's universalist and egalitarian pretensions incline it to ask what kinds of relations involving authority are legitimate, and why? This question involves a denial of the particularity and moral separateness of historical communities which, in conservative thinking, cannot intelligently be subjected to criticism rooted in abstract generalizations about man. Thus "conservative thought proclaims its skepticism of the generic humanity and abstract individuality it sees celebrated in liberalism and insists that the human individual is a cultural achievement rather than a natural fact." Hence its central terms are authority, loyalty, hierarchy and order, rather than equality, liberty and mankind. Its emphasis is on the particularities of political life rather than on any universal principles it may be thought to exemplify.

Yet before we can use this characterization of conservatism and the comparison with liberalism to evaluate the worth of their respective theories of society, we need to ask how accurate is Gray's account of the conservative outlook. So we should turn to Nisbet's own version of conservatism to see how the views of one self-confessed conservative differ from those of a liberal critic.

Nisbet's variant of conservatism is in many ways difficult to categorize. His own view is that the conservatism he portrays takes Burke as its greatest "prophet," and much of his commentary is indeed informed by his reflections on Burke's writings. Yet at the same time he brings under the conservative banner thinkers as diverse as Hegel, Tocqueville, de Maistre, H. L. Mencken, Michael Oakeshott, and F. A. Hayek. Among these figures, Mencken is difficult to classify as a conservative in view of his disdain for authority; Hayek has denied that he is any sort of a conservative; and Oakeshott draws inspiration, not at all from Burke, but from Hobbes and Hegel. This might suggest to some that Nisbet's conservatism is therefore better identified as belonging to a distinctively American conservative tradition. But such a tradition has proven difficult to identify; and the problem is complicated by Nisbet's distancing of himself from what he sees as the popu-

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list and non-isolationist strain in the ideas underpinning the Reagan presidency.

Indeed, when reading Nisbet's book, one constantly asks the question: can his brand of conservatism be differentiated from classical liberalism? After all, he emphasizes the virtues of minimal government and is highly critical of the welfare state; he defends a conception of liberty which repudiates accounts, such as that of Rousseau, which he takes to associate freedom with the subordination of the individual to the community; he places great emphasis on the role of property in a free society; and, while he stresses the importance of religion and the family, he rejects completely the attempts of the Moral Majority to secure these values more completely by using the state's powers of enforcement.

In spite of these predispositions which he shares with the classical liberals, Nisbet is a conservative nonetheless. The key to understanding why is to be found in the views he, and all conservatives, hold about the place of reason in political activity.

For Nisbet, the conservative's attitude to reason can be clearly discerned in "Burke's assault upon pure rationalism through laudation of the unconscious, the prerational and the traditional." For conservatism is suspicious of those who emphasize the use of deductive or "geometric" reasoning in human affairs. This form of reasoning, it holds, is of limited use, for human beings require for their nurture and advancement a different kind of reasoning which emphasizes the importance of feelings, emotions and experience as well as logic. The knowledge that such reasonings bring is not to be found in theoretical statements or formulations but in our traditions of behavior, in our prejudices. "Prejudice has its own intrinsic wisdom, one that is anterior to the intellect."

Underlying the appeal to prejudice is a particular view of the nature of knowledge which, according to conservatives, may be of two kinds. In William James's terms, the contrast to be made is one between "knowledge of" and "knowledge about." Knowledge of the first kind is primarily practical knowledge, acquired through experience or direct exposure to aspects of human life. It is not acquired consciously but is imbibed through the process of habituation. Knowledge of the latter kind is not so acquired. For we can learn *about* some things without direct experience of them. Thus we can learn about music without acquiring the knowledge of music that only musicians can have. And so it is, Nisbet suggests, in the sphere of politics: "Any lively imagination can come up with asserted principles or laws of government, but

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only someone rich in knowledge *of* can provide the practical means of leading or otherwise participating in some actual government."

Those who do not see that political activity must be rooted in an appreciation of its practical character, and its dependence on practical knowledge, are rationalists. And they are the ones responsible for history's many misguided attempts to reconstruct society according to some grand, utopian design, or to reform society according to its own rationally discoverable first principles. The results of such attempts have usually been brutal tyrannies; and the will to resist tyranny and struggle for freedom, Nisbet suggests, comes not from "inner knowledge of natural rights or from inner instincts to freedom" but from prejudices: "prejudices slowly built up historically in people's minds: prejudices about religion, property, national autonomy and long-accustomed roles in the social order."

This attitude does, indeed, distinguish the conservative from the liberal. And it is to be found not only in Nisbet's work, but also in the writings of other modern conservatives such as Oakeshott and Roger Scruton. But how defensible is this view? For the immediate problem conservatives of the modern world must confront lies in the fact that, after several decades of growth, the welfare state may have succeeded in altering those prejudices which it is argued are necessary to resist tyranny. In much of Britain and Western Europe religion has declined, and throughout the West, even while attachment to property has not been entirely eroded, the importance of private ownership is no longer recognized. Moreover, it is difficult nowadays to think of political activity as grounded in experience and knowledge drawn from shared traditions of behavior. The spread of systems of mass communication and the mobility of peoples everywhere has made many societies highly pluralistic and characterized by competing, and indeed conflicting, traditions. It is unclear how the conservative's political prescriptions can be of help here. Indeed, it is unclear what they would be.

(Curiously, Nisbet also suggests that conservatives, like socialists but unlike liberals, have political *programs*. "The socialists have, just as do traditional conservatives, a complete and self-sufficient program for all seasons, which is something liberals, who tend to live in hand-and-mouth ideological circumstances, do not and never will have." Yet surely it must be the dreaded *rationalist* who is thought by conservatives to be "programmatic"?)

The problem conservatism faces is that, by placing so much emphasis on the importance of the practical knowledge embodied in traditions and social instititions, it can offer no account of how to deal

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with undesirable social institutions or with traditions which might embody not knowledge but error. And clearly the modern world is full of institutions, such as the growing public sector bureaucracies, which many conservatives abhor. Indeed, conservatism can say little about how we identify those traditions or practices, whether nascent or well established, which promote great harms because they are rooted in error.

Must Ideology Be Conserved?

These difficulties call our attention to the persistence of those unavoidable questions about the institutions appropriate for any society given the facts of human ignorance, of the complexity of the genesis of ideas, and of the prevalence of error.

The three books discussed here, despite their differences of focus, share a common concern insofar as they suggest solutions to the problems of understanding and dealing with the world of ideas, beliefs and practices. And they all see the importance for political theory of certain epistemological questions. So, at the risk of presenting a distorted view of the primary concerns of these three stimulating and provocative works, it may be worth concluding with a comparative inquiry into the value of their respective prescriptions.

What all three of these writers emphasize is the unsureness of our understanding of human society. Despite the best attempts of modern social theory to comprehend the workings of society, the fact is that its mutability, its variety, indeed its sheer complexity, leave the fuller understanding we seek difficult to attain. This problem is compounded by the variety of explanations and interpretations of society which appear, not only in competing traditions of social inquiry but in different moral and theological traditions as well.

The conservative response has essentially been to emphasize the difficulty of finding any appropriate standpoint from which to examine, understand and criticize society and its traditions. And because it sees great danger in attempts to do so, it prescribes an uncritical stance toward social institutions and the traditions, ideas and beliefs which sustain them. In this respect, we might say that the conservative attitude toward the prevailing ideology is one which presumes that it is difficult to comprehend and, to a large extent, must remain beyond criticism. The problem with this attitude is that it leaves conservatism unable to offer any guidance or advice to those who would evaluate

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and seek to change or reform modern social institutions. At best, conservative philosophy offers us a description of society—and no more. (For conservatives such as Oakeshott, of course, this is all that political philosophy can do.)

The theorists of ideology, on the other hand, argue that ideas are part of a structure which reflects the dominance in society of particular interests, and which controls or exercises power over the way in which we think and choose. While liberation from such a situation may not be completely attainable, any step taken in that direction must be on the basis of an understanding of the nature of the ideology which governs us. Only when we see how our own perspective is distorted by the social determination of our ideas can we criticize the prevailing structure of thinking that dominates us. Thus Habermas, for example, tries to elaborate a situation in which communication is not distorted by social phenomena such as language. In contemporary society there exist profound barriers to what he calls "discursive will-information," barriers to communication which make a fiction of the idea of accountability and serve simply to sustain belief in the legitimacy of that fiction. We can only criticize this if we can look at it from the perspective of members of a social system in which discourse does not suffer from these problems.

The difficulty with this view, as we saw in our criticisms of McLellan, is that it is hard to see how we might extricate ourselves from the dominating influence of ideology. And if, like Habermas, we see ideology buried in the very structure of language, it is hard to see how we can use language to construct or articulate a linguistic perspective which is not also cursed with the problems that beset every other arena of discourse.

Recognizing the problems associated with these two views, I would argue, points us in the direction of a more liberal attitude to the question of ideology. For the liberal view concedes that we cannot overcome the social determination of ideas, or control the power exerted by ideas in social life, except insofar as we insist on making our institutions open to criticism and change. Unlike conservatism, it sees many dangers in the uncritical embracing of prevailing traditions of belief or behavior, since they may embody not knowledge but destructive falsehoods. The liberal attitude calls upon us to accept that nothing may be deemed immune to question or criticism. And while Gray may be right to say that conservatives have correctly pointed to the "vital truth that the maintenance of moral and cultural traditions is a necessary condition of lasting progress," this cannot mean that certain tradi-

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tions must be insulated against criticism. After all, it is important to ask which traditions are of value; and our best hope for uncovering the answer lies in leaving that question open to critical inquiry.

This liberal view is rooted in a conception of the nature of knowledge which undercuts the conservative warning that such a rationalist outlook can lead only to tyranny. While it is true that the revisionist liberals have concluded that the "knowledge" uncovered by critical inquiry gives the state a warrant to act to reconstruct society for the better, it can do this only by according to some agency the authority to determine what must, for the construction of public policy, be taken to be true. For the classical liberal this is impermissible, for the generation of knowledge is made possible precisely because no agency is given the authority to establish conclusions which may not be challenged.

Against the theorists of ideology, on the other hand, the liberal argues that, while the prevailing ideas in society may well reflect the existence of more persistent relations of power and domination, this in no way suggests that there is not an important contrast between science and ideology. Moreover, if these relations of power are to be challenged, it is particularly important to recognize the liberal conception of science as growing only in a free society: in a society in which no one's conclusions are authoritative, and no construction is immune to criticism. It is only in such a society that the dominant powers may be challenged and overturned. Yet even here, it must be conceded, there is every likelihood that new forms of power and domination will emerge. In this respect, there can never be an end to ideology—not even in principle, as McLellan suggests. The best hope is for a society open to criticism and change so that no ideology may become so entrenched that it assumes the voice of authority.

NOTES

1. See Popper, *The Open Society and Its Enemies*, vol. 2 (London: Routledge and Kegan Paul 1977), 222, where he notes: "The sociology of knowledge hopes to reform the social sciences by making the social scientists aware of the social forces and ideologies which unconsciously beset them. But the main trouble about prejudices is that there is no such direct way of getting rid of them. For how shall we ever know that we have made any progress in our attempt to rid ourselves from prejudice?"
2. *Ibid.*, 217.

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Gus diZerega

LIBERALISM AND DEMOCRACY

A PREFACE TO ECONOMIC DEMOCRACY

by Robert A. Dahl

Berkeley: University of California Press, 1985. 184 pp., $7.95

For many years Robert Dahl was known by his critics as one of the foremost defenders of American liberal democracy. Both Dahl and his former students have contributed heavily to mainstream empirical and theoretical studies of American democracy. Now, in the 1980s, Dahl seemingly has changed sides. Increasingly he has criticized Western democracies for failing even closely to approach their political potential. Often passages in Dahl's most recent works read almost like the work of his detractors through the mid-1970s. While still defending liberal democracy, or "polyarchy," as preferable to the alternatives, in analyzing them Dahl has now adopted the role of stringent critic.

Despite the shift in Dahl's emphasis, the change in his position is less extreme than it appears. A careful reading of his earlier work reveals the same egalitarian normative standards that he now attacks contemporary democracies for failing to approach.[1] What has changed is Dahl's evaluation of democratic performance. Until the late '70s he apparently believed it likely that Western democracies would steadily, if gradually, approach his political ideal: the absolutely equal distribution of political power and influence among citizens. For Dahl, democracy fully realized is such equality. Whereas he has always acknowledged that this standard is impossible to attain, it nevertheless provides, he says, the ideal benchmark against which to evaluate democratic performance.

As his dissatisfaction with Western democracy has grown, Dahl

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has turned to alternative visions of what a democratic society might resemble. The chief problem these visions seek to overcome, even though Dahl admits it to be in some sense unavoidable, is the large concentration of economic power within giant corporations. Their wealth gives them disproportionate political clout. Too wise and careful a scholar to believe that traditional bureaucratic socialism offers any avenue for improvement, instead Dahl has concentrated most of his reform proposals upon democratizing relations of production within the market itself. He advocates turning enterprises over to the ownership and control of their employees. By doing so he hopes that the virtues of the market can be sustained, while the political and social impact of the economic inequalities the market generates can be weakened. Dahl's most recent book, *A Preface to Economic Democracy,* marks his most sustained venture yet into this subject.

I suspect it is difficult for Dahl to write a bad book, and *A Preface to Economic Democracy* is no departure from his usual clarity of argument, simplicity of style, and breadth of coverage. As I shall be quite critical of important segments of his argument, let me emphasize at this point that the book is well worth reading. In a single slim volume Dahl has packed a thoughtful essay on the relationships between freedom, democracy, and equality; an excellent discussion of the prerequisites for stable democracy; a clear presentation of liberal pluralist democratic theory; and a fascinating overview of the accomplishments of worker-owned companies. Advocates of free markets who tend almost universally to take existing industrial organization for granted as the market ideal would do well to ponder much that is herein.

And yet, I am not a convert. The wealth of riches in this volume hides what I believe to be an ultimately unsuccessful argument about the relationship between democracy and democratically organized relations of production.

Do We Have a Right to Economic Democracy?

Dahl argues that the traditional conception of a tension between liberty and equality is mistaken. Instead, he contends that the true contradiction in modern democratic society is between the right to self-government and economic liberty. Dahl summarizes his argument at the book's end:

> If self-government by means of the democratic process is a fundamental, even an inalienable right; if the exercise of that inalienable right neces-

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> sarily requires a substantial number of more particular rights, which are therefore also fundamental and inalienable; and if a certain equality of condition is necessary to the political equality entailed in the democratic process, then the conflict, if there be one, is . . . [between] the liberties people enjoy by virtue of governing themselves through the democratic process, and other liberties of a different kind.
>
> Among these other liberties is economic liberty . . . [including] a personal and inalienable right to property. . . . Transferred from the operation of farms and small businesses to the large corporation, ownership rights have given legality and legitimacy to undemocratic governments that intrude deeply into the lives of many people; and most of all the lives of those who work under the rulership of authorities over whom they exercise scant control.[2]

I agree with Dahl that self-government by means of democratic procedures is a fundamental right, and that it can entail a substantial number of other rights, although I interpret some of these matters differently than he does. A few of these concerns will arise later. But I want to begin by examining his most crucial transitional argument, by means of which Dahl shifts from making the case for political democracy to making the case for economic democracy.

Dahl insists that "*if* democracy is justified in governing the state, then it must *also* be justified in governing economic enterprise, and to say that it is *not* justified in governing economic enterprise is to imply that it is not justified in governing the state."[3] According to Dahl, insofar as the case for democracy is concerned, the similarities between the government of a state and the management of a firm are more significant than their differences. He tells us that

> Like the government of the state, the government of a firm makes decisions that apply uniformly to all workers or a category of workers: decisions governing the place of work, time of work, product of work, minimally acceptable rate of work, equipment to be used at work, number of workers, number (and identity) of workers laid off in slack times—or whether the plant is to be shut down and there be no work at all. These decisions are enforced by sanctions, including the ultimate sanction of firing.[4]

Further,

> . . . if a citizen were perfectly free to leave, then citizenship would be wholly voluntary; for if a citizen found "voice" unsatisfactory, she could freely opt for "exit." But is not "exit" (or exile) often so costly, in every sense, that membership is for all practical purposes compulsory—

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whether it requires one to leave a country, a municipality, or a firm? If so, then the government of a firm looks rather more like the government of a state than we are habitually inclined to believe: because exit is so costly, membership in a firm is not significantly more voluntary or less compulsory than citizenship in a municipality or perhaps even in a country.

In fact, citizenship in a democratic state is in one respect more voluntary than employment in a firm. Within a democratic country, citizens may ordinarily leave one municipality and automatically retain or quickly acquire full rights of citizenship in another. Yet . . . one who leaves a firm has no right to "citizenship" (that is, employment) in another.[5]

Are Employees Trapped?

The validity of Dahl's argument rests on both an empirical claim as to the costs of leaving employment and a logical argument as to the similarities of political membership (citizenship) and economic membership (employment). Both points are mistaken. The empirical claim is relatively easy to dispose of.

Available evidence suggests that most working people do not believe they are locked into their present jobs or feel trapped by a lack of alternatives. The following survey statistics indicate conditions in the United States in 1977, a time of rising unemployment and inflation:[6]

	Strongly agree	Agree	Disagree	Strongly disagree
It would be very hard for me to leave my job even if I wanted to.	13.4%	31.1%	41.1%	14.2%
I am afraid of what might happen if I quit my job without having another one lined up.	19.8%	32.2%	33.2%	14.8%

The following results obtained when wage-earning and salaried workers were asked about the ease of finding a new job:[7]

Very easy to find a similar job	20.1%
Somewhat easy to find a similar job	36.9%
Not at all easy to find a similar job	43.0%

These judgments are sensitive to overall economic circumstances. In the more prosperous year of 1969 the same question was answered as follows:

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Very easy to find a similar job	40.3%
Somewhat easy to find a similar job	29.4%
Not at all easy to find a similar job	30.3%

Even in 1977 workers did not perceive a great likelihood of losing their jobs.[8]

Not at all likely	46%
Not too likely	39.5%
Somewhat likely	10.5%
Very likely	4.1%

Unemployment, when it did happen, was not usually a long-term affair. According to census data for 1983, the duration of unemployment by region was the following:[9]

	<5 weeks	5–14 wks.	15–26 wks.	27–51 wks.	>51 wks.
Northeast	26.3%	27.1%	16.6%	12.6%	17.4%
North Central	24.4%	24.4%	15.9%	13.5%	21.9%
South	31.1%	28.6%	17.0%	11.5%	11.8%
West	31.9%	28.7%	16.0%	11.0%	12.3%

(These figures are for men rather than all workers because of the added complexities introduced when women are added to the statistics for unemployment—for example, leaving work to have a baby).

Apparently most unemployed men had comparatively little reason to fear sustained unemployment, nor did they have such fears. I do not mean to minimize either the pain of involuntary unemployment or the unpleasantness of job-hunting. But for most working people these factors do not appear to be major worries, or reasons for feeling trapped in compulsory work relations. In this regard another set of questions is very interesting, namely, those related to how willing people would be to relocate if they were offered a *much better* job in another community at least 100 miles away, and also how willing they would be to relocate if they were out of work and had a chance at a *steady job* in a community equally far away.[10]

CONDITION OF RELOCATION	Very Willing	Somewhat Willing	Not Too Willing	Not at all Willing	Depends On Circumstances
To get a much better job	16.6%	19.2%	21.1%	40.8%	2.3%
To get a job if worker were out of work	46.4%	25.5%	10.1%	16.5%	1.6%

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These figures tell us that, in the United States at least, Dahl is wrong at present. Most workers do not feel trapped. Even if a much better opportunity were to arise for work elsewhere, most would prefer to stay in their home communities. Only when economically necessary, and not simply advantageous, are most working people willing to move. The costs of moving from a community, let alone a country, are apparently significantly greater than the costs of job-seeking. In short, from the perspective of working people, the constraints of employment are hardly coercive in most cases, and subjectively far less strong than the constraints against moving geographically.

Political Freedom and Economic Necessity

There is a more serious problem with Dahl's argument. He vastly underestimates the differences between being an employee and being a citizen. In Aristotelian terms, he confuses a relationship of freedom with a relationship of necessity.

Democratic citizenship is membership within a community of political peers which, among other things, constitutes each citizen's home. In their role as citizens people are primarily concerned with determining the type of society in which they want to live, and with maintaining it. Political issues are any issues relevant to such a concern. As such, political issues are necessarily open-ended and constantly subject to revision. In this sense, democratic politics constitutes a realm of political freedom.[11] Political freedom is not freedom from arbitrary government authority, which constitutes civil liberty, but freedom in the sense in which citizens are formally equal co-creators and maintainers of their polity.

In a democracy public freedom is impinged upon mainly by the threat of war or natural calamity. It is significant that at such times, when the community's needs are overwhelmingly obvious to everyone, democratic processes are sometimes temporarily set aside. Both public and civil liberties are often overridden during such emergencies. Democratic practice, in the face of an acute and generally agreed-upon threat, can seem a luxury or even an impediment. In such times, those who justify the temporary abrogation of normal democratic practices do so in the name of defending democracy; they do not usually claim that these suspensions *are* democracy. This helps to clarify the point that democracy is a system of *public* liberty, the process of deciding what to do, and not a particular type of government or policy which

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may arise from that process. It can be (temporarily) set aside without destroying it when what to do is no longer an open-ended question, but rather is obvious to all. Yet in democratic societies, liberties are generally restored after the emergency is over.[12]

In practice citizenship is participation in the realm of public liberty, a condition akin to Oakeshott's metaphor of sailors on "a boundless sea [where] there is neither harbor nor shelter nor floor for anchorage, neither starting-point nor appointed destination, [and where] the enterprise is to keep afloat on an even keel."[13] This vantage on the matter highlights the fact that political democracy is, in Hayek's terms, a spontaneous order.[14] Citizens act on the basis of abstract rules of procedure which are basically neutral regarding specific ends of policy. This was generally as true of Greek democratic practice as it is of that in the liberal West.

By contrast, a corporation is organized to accomplish specific tasks in production and marketing, in order to make a profit or at least break even. In a competitive environment it is hemmed in on all sides by the realm of necessity. If those responsible for its governance do a poor job of managing its resources, the company may very well lose its battle for survival, let alone for growth. To preserve itself, the corporation depends upon maintaining a constantly renewed supply of customers who purchase its products, but who otherwise have no necessary involvement with the company. Thus, the situation facing those managing such a corporation is analogous to those governing a polity during wartime. Outside threats are real and strong. The specific goal is clear-cut, and generally agreed upon. *Consequently, there is no room for the corporate equivalent of public liberty.*

In corporations the roles of customer and producer can be completely separate. A company may even produce everything for sale abroad. In all cases the overlap is slight between producer and consumer. In a democracy, by contrast, the equivalent roles largely overlap. Its citizens both "produce" and "consume" democracy's "product." That is, citizens produce the resources devoted to public policies and are the primary beneficiaries of those policies.

I am not suggesting that democracies are autarchic. Autarchy was Aristotle's ideal for the city-state, but even then it was not practical. No contemporary democracy, even one as large as our own, is fully independent in this sense, and all long-term trends point in the direction of reducing remaining independence even further. Small democracies such as Luxembourg are almost completely dependent upon the peaceful activities of noncitizens for their well-being. Even so, the

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smallest contemporary democracies face a peacetime existence far less uncertain and precarious than even the largest corporations. Doubters need only look at lists of the "Fortune 500" or whatever the equivalent was fifty or eighty years ago to see an enormous turnover having no equivalent among democratic polities.

The Nature of Membership: Citizen vs. Employee

Whereas democracies are spontaneous orders, corporations are instrumental organizations. A democracy is first and foremost an arena for the exercise of public liberty, and all specific public goals are subordinate to the democratic process. By contrast, instrumental organizations pursue particular purposes, and the case for democratizing their management rests on whether or not this will aid or hinder their ability to pursue goals which are not themselves reducible to democratic processes. This distinction leads to a radical difference between being a member of a corporation and a member of democracy, between an employee and a citizen. Whatever else s/he may be, an employee is a resource which the organization may use to attain its ends. A company may hire whomever it wishes, so long as it uses as its criterion the would-be employee's instrumental suitability for its ends. Except in wartime or some other calamity citizens are not primarily resources to be deployed. Criteria for becoming a citizen do not, as a rule, include the applicant's performing some specific service or job.

Just as the employee is mostly of instrumental value to the company, so also is the company mostly of instrumental value to the employee. This is in contrast to citizenship. For example, we rarely criticize an employee for joining a competing company which offered him or her a better job. We do not expect employees to make sacrifices for their company. We feel very differently about a citizen who shifts allegiance to a competing nation. No one thinks less of Lee Iacocca or Joe Smith from the assembly line for shifting from working for Ford to working for Chrysler. But if Jimmy Carter, after being defeated in 1980, had accepted an offer to lead Cuba, or Joe Smith had decided to join the Red Army, Americans would be justifiably angry.

I am not suggesting that it is desirable for employees or their companies to treat one another in coldly instrumental terms. Nor am I opposing opportunities to expand worker ownership where it is desired by those working. I am particularly impressed with how effectively employee-owned firms can tap the dedication, creativity, and energy of

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their employee/owners. But I am saying that how all this fits into understanding democracy is nowhere near what Dahl suggests.

People within a company can obtain many non-instrumental values from their work: self-esteem, companionship, excitement, provision for loved ones, and so forth. It may even be the case for some workers that the instrumental goal of making a living will be secondary to these other values. I hope so, since it would be a shame to spend much of one's life working solely to pay the bills. Nevertheless, a company's provision of these other values is dependent upon its doing well enough within the marketplace to survive and grow. Under competitive circumstances there will always be a strong pressure to cut costs and improve efficiency. Of course democracies must also manage to survive, but as a rule the degree of outside pressure and uncertainty is far lower.

Many of the non-instrumental values I have mentioned may well be better served in the employee-owned firms Dahl advocates than in traditionally organized ones. To this extent there is an intrinsic desirability to worker-owned cooperatives. However, if there is a significant trade-off between cooperative ownership and efficiency, the losses in the firm's capacity to attain its instrumental goals more than offset its gains in non-instrumental values. This question cannot be discussed a priori. Certainly it is significant that in many cases cooperative employee ownership appears to be more efficient today than are comparable firms in which ownership and employment do not overlap. To the degree this is so, the case for encouraging the development of worker-owned enterprises is a strong one.[15] However, the number of non-instrumental values that can be met within the traditional workplace is large, and it may be that worker-owned cooperatives will not be the ideal arrangement for all workers.[16]

No matter how strong the potential case for employee ownership, firms will still have no equivalent of public freedom unless they are substantially insulated from competitive pressures. Such protection would be undesirable for many reasons. Consequently, the latitude for discussion and innovation will almost always be much more strongly circumscribed in a company than in a democracy.

A democratically governed firm would have to be an organization in which everyone generally agreed about the immediate task at hand, deciding together upon the best way to perform it. Such an organization is most subject to the "iron law of oligarchy," the observation that in virtually all human organizations there is an inevitable tendency towards a self-perpetuating hierarchy.[17] Dahl argues that this problem, which truly is "a universal tendency in human organizations," never-

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theless would be "neither markedly worse nor markedly better" in democratically governed firms than in democratically governed polities.[18] But when all are agreed upon the goal to be pursued, the existing leadership's organizational advantages are much greater than in a democratic polity. While the same oligarchic pressures obtain, the presence of competing public goals within the sphere of public freedom makes for competing elites or would-be elites. Competing visions of the public good, and not alternative strategies for achieving the same end, are the lifeblood of politics and the bane of oligarchies.

Citizenship and employment signify two very different types of human relationship. Citizens are related to each other as peers living in a common community who must deliberate together to decide what they will do as a community. Employees are people banded together in the pursuit of a common enterprise. They may do so because they own the enterprise or because they are paid to cooperate, but in any event their relationship is fundamentally instrumental, and therefore *instrumental considerations are the ultimate determinant as to how they will associate together.*

A citizen under normal circumstances need not agree with other citizens about what their polity should do. Indeed, s/he may lobby vigorously against the currently favored policies, even to the point of undermining their support without building support for her or his own proposals. These activities *in no way undermine or abuse his or her status as a citizen.* A citizen is part of a moral relationship of equality, which can be used to achieve instrumental ends but need not be. An employee is part of an instrumental relationship defined and limited by a common project and, only after that, by moral values.

The Nature of Democracy: Political vs. Industrial

With this distinction in mind, let us refer to the basic assumptions which underlie, according to Dahl, the right of democratic self-government. He lists seven:

1. A need exists to reach some collective decisions binding on all members of the collectivity.

2. These decisions possess at least two distinguishable stages: a period when the agenda is set, followed by the "final" determination of items on that agenda.

3. Binding decisions ought to be made only by persons subject to those decisions.

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4. The good of each member is subject to equal consideration.

5. Each adult is entitled to be the final judge of his or her own interests.

6. All adult members are roughly equally qualified to decide which matters do and do not require binding collective decisions.

7. Scarce and valued things should be fairly allocated. Each equally valid claimant is entitled to an equal share, or an equal chance to obtain whatever is allocated.[19]

Many of these assumptions are inapplicable to membership in instrumental organizations, even though they may be reasonable for democracies. Let us consider number three: that binding decisions ought to be made only by persons subject to the decisions. This is an aspect of equality under the law. It is a fundamental democratic principle. However, it is not applicable to instrumental organizations.

When Professor Dahl teaches a course in democratic theory at Yale, if he is like most professors he specifies in advance the books to be read, papers to be written, presentations to be given, tests to be taken, and topics to be covered. Students are free to take or not take the course. Even though many of his graduate students, at least, would be capable of selecting an equally good syllabus, this is normally not considered the students' prerogative.

Is this an assault upon their rights? Not at all. Students may choose whether or not to enter into an academic relationship with Prof. Dahl. In such a relationship his authority properly extends to encompass the class, and no farther. It is severely limited in duration, extent, and degree. So long as this limited relationship is to the liking of all parties involved, they maintain it. When it is not to their liking, they terminate it.

Moreover, there is at least one way in which the relationship of a professor to his or her students is more coercive than that of an employer to an employee. If a student decides late in the semester that s/he wants out of the class, this is very often impossible without a penalty. By contrast, an employee is free to quit at any time. While I believe that punitive grades have no place within an ideal academic environment, the argument for or against them is not a matter of right, but of convenience and utility. Do such grades improve the ability of an academic institution to educate people? For example, an institution with limited resources where students do not pay the full cost of their education may need punitive grades to deter "wasteful" use of the university's resources.

Assumption number four, that the good of each member is subject

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to equal consideration, is a proper ideal within a democracy. Because there is no overarching project to which all agree, it is essential that all citizens have an equal voice in making the final determinations as to what the community will do at any particular time. Only in this way can a community of political peers maintain itself. An ongoing and unresolved problem among democratic theorists has been to discover how to prevent the substantive inequalities inherent both in any society and in the fact of political change itself from making formal equality a cruel joke, since some can use political power to give themselves political privileges.

These considerations do not apply to instrumental organizations. Here each member is of value to the organization only to the degree that s/he contributes to the common enterprise. Distinctions between employees can legitimately be made on this basis because it is the pursuit of the common end which is the most fundamental reason for the association.

This reasoning does not justify discrimination against employees or members of other instrumental organizations on grounds not directly relevant to the organization's purposes. Racism, sexism, and other immoral actions can receive no justification here. However, an organization may have specific racial, sexual, or ethnic ends which could justify discrimination. Discrimination in favor of racial, sexual, or ethnic groups might then be justifiable because serving those ends is an essential part of the organization's goals. *Ebony* magazine probably disproportionately publishes articles by blacks, *MS* disproportionately publishes articles by women, and so forth.

Assumption number five, that each adult is entitled to be the final judge of his or her own interest, applies both to democracies and to instrumental organizations. However, it is applied differently. Instrumental organizations, even those providing employment, exist in many forms. Simply being able to choose which to become involved with, in the absence of fraud, is sufficient to fulfill this requirement. The matter is more complex in a democracy. The ideal of a community of peers deciding the type of society in which they wish to live requires that everyone possess a genuine power of giving or withholding assent. Again, the noninstrumental, open-ended, and all-inclusive character of political membership requires a more active opportunity to influence the polity directly. I can choose not to work for a company and be self-employed. I cannot choose to live unaffected by political authority.

Assumption number six, that all adults are roughly equal to decide

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what needs to be decided upon, is also in need of revision, but I believe that the relevant points have already been covered in my discussion. Qualifications to decide are determined only by people's usefulness in attaining the organization's end.

Of his list of democratic assumptions, these are the ones most completely transformed when we make a distinction between democratic and instrumental organizations. Assumption one, that a need exists for binding decisions for all members of a collectivity, is unobjectionable. The second and seventh assumptions bear most directly upon Dahl's case for substantive political equality as the democratic ideal. I have criticized this reasoning elsewhere.[20]

Even if, for the sake of the argument, we accept Dahl's standard of substantive equality as the democratic ideal, we do not strengthen his case that people have a right to the democratic ownership of their places of employment. Some employee-owned companies would do better than others. Some would rapidly expand while some would go out of business. These changes would disrupt any pre-existing equality. Nor is it immediately obvious that substantive political equality would be enhanced by the existence of democratically organized firms. Today corporations use their superior resources to try to buy votes in their favor during political disputes. I do not see why a democratically organized company would be less inclined to utilize its resources to influence political events in its favor.[21] Further, a democratically organized firm would presumably enjoy a greater harmony of interests with its worker/owners than would a corporation owned by shareholders who are not employees. Consequently, large firms would constitute significant voting blocks, wielding far more clout than smaller groups and individuals. Hence, I do not weaken my argument against any right to employee ownership of the workplace by not examining Dahl's case for substantive political equality.

And yet there is a sense in which Dahl's conception of political equality is relevant to our case. To claim that substantive equality is *the* democratic ideal is to establish a standard over and above those that might be chosen by citizens of a democracy. What, then has become of self-government? Has not Dahl (probably unknowingly) turned the tables on the community of free citizens by dictating to them the only substantive end they may legitimately pursue? He has, in fact, turned democracy itself into an instrumental organization, one dedicated to achieving as closely as possible the ideal of universal substantive political equality. As soon as this move is made, many of the objections I have made against applying Dahl's assumptions to instrumental orga-

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nizations count against Dahl's version of democracy itself. In such an instance the only fundamental right is the right to contribute to the preordained end of establishing the reign of perfect equality. Were it put so bluntly, Dahl would not advocate such a position. He is too realistic, humane, and wise to do so. But his theoretical system does not support his own good judgment. In attempting to strengthen democracy, Dahl has undermined it.

The source of this problem lies in an error of categorization. Dahl conflates two different types of social institution, self-organizing systems and instrumental organizations. This confusion of democracy with democratic organizations is not new; it was a basic methodological assumption as early as 1956.[22] Self-organizing systems operate when their participants observe abstract general rules that are not concerned with accomplishing specifiable ends. Instrumental organizations exist to accomplish specifiable tasks. The logic of their structure and the standards for their evaluation are necessarily different.

So long as Dahl was relatively confident that the spontaneous democratic order would approach ever more closely his organizational standard of substantive quality, the impact of this error was confined to his most purely theoretical work. Dahl's descriptive studies of democratic practice were little affected. But as his work has become increasingly prescriptive, and as he has become more deeply concerned with the failure of democratic polities to approach his vision, this theoretical shortcoming has assumed increasing importance.[23] Thus, in Dahl's most recent work the full contradiction between spontaneous-order and instrumental organizational standards of evaluation becomes crucial.

I believe that I have shown that no right to economic democracy can be derived from Dahl's assumptions about political democracy. Democratically managed enterprises may be a good thing. I am inclined to believe that they often are. But the arguments on their behalf must be prudential and provisional. A democratic society might well choose to ease the difficulties involved in creating such enterprises. It would be within its rights to do so. But it might wish to do nothing about the matter. That, too, is within its rights, and the polity is neither more nor less a democracy for failing to act on the issue.

Politics and Liberalism

Dahl's attempt to expand democratic political theory to encompass "economic democracy," and the trouble he encounters when doing so,

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helps us illuminate a problem with the liberal conception of politics. This problem affects liberals on the left, like Dahl, and liberals on the right. It is a conflict between liberal conceptions of politics and the political institutions liberal societies have developed to give life to those conceptions.

Liberal politics is a politics of defense.[24] In its modern conservative variant it is a politics in defense of individual freedom against the state. In the left-liberal tradition of which Dahl is a part it is a defense of the weak against the political depredations of the strong. There is obviously a sense in which both traditions have a valid point. But defense, however important a part of politics it may be, is still only partial. Fundamentally, politics is about what to *do*. Defense is necessary because when we are too severely victimized we lose the power to act. And politics is too often used to oppress. But defense is not ultimately what life within a community is about.

When we conceive of politics as essentially a defensive enterprise, our main focus theoretically is on preventing actions we do not want. We then seek to organize political institutions to provide for a specific defensive vision; defense against political interference with individual plans or defense against the abuses of the powerful. This gives us an organizational strategy. As one possible political task among many, such programs are in the honorable tradition of political advocacy. But when we seek to elevate either the "right" or "left" defensive vision, or any other for that matter, over the principle of democratic self-government, we are mistaking a part for the whole. We are using an instrumental organizational standard in order to evaluate a self-organizing system.

Democratic political institutions, indeed all the great liberal social innovations, are characterized by the extraordinary abstractness of the relationships they allow. Democracy, science, the market—the three great spontaneous orders which have arisen out of liberal society—all are characterized by abstract procedural rules capable of constituting a self-organizing system. Among other things this means that what a democracy does cannot be predicted or set forth in advance. This is very unsettling when one's political conceptions are predicated upon the need for defense against unwanted changes—rather like a guild mentality confronting the uncertainties of the market. And so there seems to be an unfortunate tendency among liberal theorists to make the politically abstract concrete. Liberal theorists become obsessed with specific outcomes that grow out of particular defensive visions of politics, rather than with the overall pattern of political action over time.

On the left Dahl manifests this attitude by attempting to turn for-

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mal political equality into substantive political equality as a safeguard against the abuse of political power by the rich. But those on the other end of the liberal spectrum would attempt to implement their vision of political defense by removing vast areas of social life from legitimate political discussion. Like Dahl, they seek to cast into concrete a specific vision of society and the common good, rather than holding it always subject to political debate and the possibility of legitimate revision. I do not wish to be too harsh. Liberal democracies have proven far more humane than other political institutions. But liberal theorists of both the left and right fail fully to understand the institutions their civilization has created. From this failure have sprung confused and often contradictory attempts to understand and improve political democracy, as is evident in the weaknesses of Dahl's in many ways marvelous little book.

NOTES

1. Robert Dahl, *A Preface to Democratic Theory* (New Haven: Yale University Press, 1956), 70.
2. Robert Dahl, *A Preface to Economic Democracy* (Berkeley: University of California Press, 1985).
3. *Ibid.*, 111.
4. *Ibid.*, 113–114.
5. *Ibid.*, 114–115.
6. Robert P. Quinn and Graham L. Staines, *The 1977 Quality of Employment Survey: Descriptive Statistics, with Comparison Data from the 1969–70 and the 1972–73 Surveys* (Ann Arbor: Survey Research Center, Institute for Social Research, University of Michigan, 1979), 169.
7. *Ibid.*, 170.
8. *Ibid.*, 171.
9. *Geographical Profile of Employment and Unemployment, 1983* (Washington, D.C.: U.S. Dept. of Labor, Bureau of Labor Statistics, Oct. 1984, Bulletin 2216), 31.
10. Quinn and Staines, 173.
11. See for example Hannah Arendt, *On Revolution* (New York: Viking, 1965), 53–110.
12. I am well aware that this logic can be used to suspend liberties indefinitely in the name of some bogus "emergency" or to justify attacks upon unpopular minorities. Perhaps the best response to this point is noting that in practice the record of democratic societies in these respects is rather good, because of institutions and organizations which help undermine the legitimacy of false emergencies and defend minority interests. No po-

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litical principle is free from abuse, but clear thinking can help to keep such abuses to a minimum. Dahl's book has an excellent discussion of the tyranny of the majority which is germane to my point here: *Economic Democracy*, 24–44.

13. Michael Oakeshott, *Rationalism in Politics* (New York: Basic Books, 1964), 127.
14. F. A. Hayek, *Law, Legislation and Liberty* vol. 1 (Chicago: University of Chicago Press, 1973), 35–54.
15. Among the otherwise highly successful Mondragon cooperatives in Spain, one failed. It is significant that cultural attitudes among the workers were an important source of this failure. See Henk Thomas and Chris Logan, *Mondragon: An Economic Analysis* (London: George Allen and Unwin, 1982), 31–32.
16. Some libertarians and conservatives might argue that the "verdict of the market" is that employee-owned cooperatives are not viable means for market production: since they are not widespread, they are not a viable market institution. The point raises complex issues that cannot be fully explored in this review. However, the following is clearly true: 1) Some employee-owned firms do at least as well if not better than traditionally owned firms in some fields. 2) In some places, such as the Mondragon region of Spain, a wide variety of industrial production, some quite sophisticated and capital-intensive, is successfully managed in this manner. 3) Past history and culture appear important in explaining varieties of industrial organization. Both Scandinavia and the Basque region of Spain appear culturally receptive to this type of organization. Further, there are significant differences between Western and East Asian types of industrial organization, and among Western types of organization at different times. In short, the "verdict of the market" changes and is not simply the result of market forces; it is also influenced by past history and culture. An example of how *not* to discuss such issues may be found in Murray Rothbard, *Power and Market* (Menlo Park, California: Institute for Humane Studies, 1970), 213 n88.
17. See for example Robert Michels, *Political Parties* (Glencoe, Illinois: Free Press, 1949), first published in Germany in 1911. See also Seymour Martin Lipset, *Union Democracy* (Garden City, N.Y.: Anchor, 1956) and *Political Man* (Garden City, N.Y.: Anchor, 1960).
18. Dahl, *Economic Democracy*, 134.
19. *Ibid.*, 57–58.
20. Gus diZerega, *Citizenship and Participation: A Reformulation of Democratic Theory* (Berkeley: Ph.D. dissertation, Dept. of Political Science, University of California, Berkeley, 1984), 197–204.
21. Dahl's discussion of this point seems to be mostly wishful thinking. *Economic Democracy*, 109–110.
22. Dahl, *Democratic Theory*, 63.

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23. Compare Dahl's comments on leadership and inequality in *Economic Democracy,* 151, with his discussion of political entrepreneurship in *Who Governs?* (New Haven: Yale University Press, 1961), 309.
24. See Benjamin Barber's mostly excellent critique of liberal political thought in his *Strong Democracy: Participatory Politics for a New Age* (Berkeley: University of California Press, 1984).

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David L. Prychitko

LUDWIG LACHMANN AND THE FARTHER REACHES OF AUSTRIAN ECONOMICS

SUBJECTIVISM, INTELLIGIBILITY AND ECONOMIC UNDERSTANDING: ESSAYS IN HONOR OF LUDWIG M. LACHMANN ON HIS EIGHTIETH BIRTHDAY

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What is responsible for the revival of the Austrian school of economics? Surely its view of the market as a rivalrous economic process rather than a formalistic end-state, its tradition of verbal scholarship as opposed to the profession's overall commitment to mathematical puzzle-solving, and its generally uncompromising laissez-faire stance toward the market order make Austrian economics an exciting departure from the academic mainstream. But for those with philosophical or methodological proclivities, there's much more: namely, its *radical subjectivism*.

Austrian economics originated with Carl Menger during the great *Methodenstreit* of the late nineteenth century, as Menger defended the scientific status of economic theory against the German Historical School of economics. Ironically, *theoretical* laws of economic phenomena, Menger claimed, were necessary for interpreting the rich and complex *historical* record of civilization. On the other hand, as against the traditional theories attacked by the Historical School, Menger argued that classical economics had followed the wrong road to value theory. Value is not, as earlier economists assumed, an objective at-

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tribute of an economic good which somehow stands outside the individual. Rather, value is a product of the human mind interacting with its environment, an outcome of choice. The seeming "paradox of value" is dissolved once we realize that choice is made at the margin, governed by subjective values.

It is precisely the subjective element which differentiates the Austrian school from mainstream neoclassical economics. Although there appears to be little difference between, say, Israel Kirzner and Armen Alchian, there is a world of difference between Ludwig Lachmann and Gerard Debreu. (Of course, neither Austrian economics nor neoclassical economics is a homogeneous discipline.) There is something fundamentally different between the way each school interprets market phenomena: neoclassical economics is ultimately a theory of prices and quantities, while Austrian economics is a theory of human agency. This is clearly brought out in Mises's 1949 classic, *Human Action*. Borrowing the term from Menger's contemporary, Alfred Espinas, Ludwig von Mises considered Austrian economics to be "praxeology," or the science of human action. For Mises, praxeology is aprioristic in that the historical record of specific human actions can be interpreted only through a theoretical system, and is subjective in the sense that it traces value, price, and other market phenomena to the intended and unintended consequences of acting individuals.

Superficially, there is little difference between the two schools. At the introductory undergraduate level, for instance, the standard account of, say, the establishment of an effective minimum wage floor accounts for both the intended purposes (a higher wage rate for all those working) and the unintended results (greater unemployment, discrimination, etc.) by means of methodological individualism. The fundamental difference isn't here. Nor is it in the distinction, as sometimes argued, that Austrians, to the extent that they formalize their theory, use curves made up of line segments rather than the continuously differentiable curves used in neoclassical economics. I do not believe there is a single Austrian who has not gotten tired of drawing such rough and jagged curves and instead opted for the more efficient "smooth" curve to make his point. What about, then, the Austrian focus on disequilibrium as opposed to the neoclassical focus on equilibrium? Even this distinction has lost its significance, for most general equilibrium theorists have become more concerned with dynamic, disequilibrium analysis. Yet if the weight of the difference falls by default on subjectivism, a problem arises in that neoclassical economics, too, is based upon the subjective theory of value.

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Ludwig Lachmann, Radical Subjectivist

Enter Ludwig Lachmann, protégé of Mises and Hayek, radical subjectivist extraordinaire. For decades Lachmann has indefatigably called for the profession to take notice of the role that subjectivity and expectations play in economic phenomena.[1] His emphatic plea has not only created debate among neoclassical economists, but initially, following his arrival at NYU over a decade ago, brought sharp disagreement among Austrian economists themselves.

For Lachmann, the key element in the marginal revolution of the 1870s is not so much the concept of marginal utility as it is the appeal to the subjective nature of human choice. It was more than a marginal revolution: it was a subjective revolution. In Lachmann's words,

> about the middle of the last century subjectivism came into its own. As it was gradually realized that human ingenuity can overcome the obstacles presented by the classical forces, the human mind and its manifestations, choice and decision, came to occupy the center of the economic stage. The "subjective revolution" of the 1870s presents only one aspect of this change, but it epitomizes it well. It came to be realized that the value of a good does not reside in any measurable properties it might have, but constitutes a relationship between an appraising mind and the good.[2]

Influenced by Keynes and Shackle, Lachmann called for the extension of subjectivism beyond the realm of value and utility and into the realm of expectations.[3] For quite some time he seemed to be the sole voice arguing that the market process necessarily maintains itself through a divergence rather than a convergence of expectations, and thus cannot be defended as a strictly equilibrating process:

> The world of the market economy is . . . a kaleidic world, a world of flux in which the ceaseless flow of news daily impinges on human choice and the making of decisions.
>
> In a kaleidic society the equilibrating forces, operating slowly, especially where much of the capital equipment is durable and specific, are always overtaken by unexpected change before they have done their work, and the results of their operation disrupted before they can bear fruit.[4]

This, together with Lachmann's pronouncement that the future is unknowable, brought about an initial reaction among Austrians of hesitation, if not desperation. After all, wouldn't it be ironic if Austrian

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economics, itself a product of the *Methodenstreit*, were to implode into a modern version of historicism?[5]

Now although some fears of historicism still remain—perhaps rightly so—and though the importance of Keynesian insights to contemporary theory is still rather questionable, the contribution Ludwig Lachmann has made to contemporary Austrian economics cannot be denied.

In recognition of this influence Israel Kirzner has compiled one of the best collections of essays in the Austrian tradition to be published in recent years. *Subjectivism, Intelligibility and Economic Understanding: Essays in Honor of Ludwig M. Lachmann on his Eightieth Birthday* presents the reflections of 24 scholars from the Austrian, neoclassical, post-Keynesian, and institutional schools, whose diverse points of view are brilliantly threaded together by the Lachmannian themes mentioned in the title of the volume. For anyone interested in the farther reaches of Austrian economics, this is a book worth reading. It clarifies what is really at stake in the opposition between Austrian and neoclassical economics, although one review cannot attempt to explore all the worthwhile essays in this *festschrift*.

The Subjectivist View of Cost and Choice

The difference between the Austrian notion of cost and choice and the neoclassical version is discussed in Israel Kirzner's essay, "Another Look at the Subjectivism of Costs." Here Kirzner takes on Alchian's definition of opportunity cost as the next best opportunity one forsakes when he chooses between alternative goods. Building on the insights of Buchanan,[6] Kirzner argues that Alchian and the neoclassical economists in general have an unduly objective notion of cost. Cost is not the thing itself which one forsakes in order to enjoy a competing end; rather, cost is the decision-maker's own evaluation of the utility he *expects* to forsake when he chooses one good over another. Since cost is a mental expectation dated at the moment of decision, it cannot be measured in terms of monetary outlays. Furthermore, Kirzner argues, the subjective notion of cost is "the only version capable of rendering individual decisions intelligible," and "apparently objective notion[s] of displaced social output and the like *are treated as cost only because one is imagining a decision through which these alternative advantages are deliberately being sacrificed.*" That is, the neoclassical notion of "social cost" has a hidden, quasi-subjective character in that it is taken into account

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by a hypothetical decision-maker. "Social cost" is the forsaken anticipated utility of "his" decision. But this quasi-subjective character, I would add, does not rescue the notion of social cost, as one may be led to believe. To the contrary, the very reliance (implicit or explicit) upon the notion of a single, hypothetical decision-maker allocating goods and services in place of individual competing minds renders the notion highly suspect.

Hence, neoclassical theory, though it has a subjective theory of value, has failed to produce a subjective theory of cost. Rather than both "blades of the Marshallian scissors" consisting of the same "stuff" (reckoned in the utility dimension), the supply curve in neoclassical theory, allegedly measuring opportunity cost, is reckoned in a purely "objective" dimension, independent of the mind, and is thus a tool ultimately incapable of rendering individual decisions intelligible.

Two other essays which reflect upon the nature of choice include Willi Meyer's "Beyond Choice" and George L. S. Shackle's "The Origination of Choice." Each tries to develop an understanding of the mental state of affairs that precedes choice-making. Shackle likens choice to an "uncaused cause," a "beginning," and sketches his "focus-gain, focus-loss" scenario which deals with true uncertainty, defined as the inability to hang probabilities on future events when not all of the possible events—outcomes of choice themselves—are known with full certainty. This theoretical scenario interprets human choice as focused only upon an imagined set of possible outcomes ranging from best to worst. According to Shackle, the actor "cannot know what his action *will* do for him. The two extremes are what, at best and worst, he supposes that it *can* do." It is by this avenue, in many ways similar to Kirzner's route, that Shackle attempts to bring subjectivity into expectations themselves; but unless one is already familiar with Shackle's writings (or perhaps Sartre's), this short piece is rather abstruse for introductory purposes. Meyer's essay can be grasped more easily. He makes an interesting argument for economists to move beyond the narrow purview of the pure logic of choice, undertaking applied historical study in order to consider the broader cultural and linguistic contexts that shape one's perspective, which in turn affects one's expectations and choices. One is reminded of Mises's analysis of the nation as a "speech community," where "language opens up the way for a person of exchanging thoughts with all those who use it; he can influence them and receive influence from them." For Mises, the importance of language in shaping one's worldview cannot be trivialized if we wish to understand individual and social processes: "If someone

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finds the explanation of the nation as a speech community perhaps too paltry, let him just consider what immense significance language has for thinking and for the expression of thought, for social relations, and for all activities of life."[7] Meyer's article attempts to break down the rigid boundaries which divide the social sciences into isolated compartments and results in insular and therefore relatively weak interdisciplinary conversations, and calls upon economists to broaden their horizons by taking notice of the writings of Max Weber on cognitive need, and the phenomenological psychology of George Kelly. One would also do well to include the work of the phenomenologist Alfred Schutz and his students, Berger and Luckmann, on the notion of the *lebenswelt* (life world) and its influence on individual orientation in social reality. Richard N. Langlois's "Coherence and Flexibility: Social Institutions in a World of Radical Uncertainty" assists in this undertaking as it attempts to build upon Lachmann's concept of the "institutional order" whereby "institutions serve as orientation maps concerning future actions of the anonymous mass of other actors. They help the [individual] planner by making the social world a little less uncertain than it would be otherwise."[8] Langlois argues that institutions embody a "signpost function" which works to disseminate knowledge and thereby reduce the volatility of individuals' actions, leading to a greater degree of order in a decentralized setting. Langlois's piece, trimmed perhaps of its mechanical metaphors and formalist tendencies, together with those mentioned above, and O'Driscoll and Rizzo's "Subjectivism, Uncertainty, and Rules" (a concise statement of their recent book *The Economics of Time and Ignorance*)[9] point toward possible approaches Austrians can follow if they wish to work out the implications of radical subjectivism on human choice, while Terence W. Hutchison's "Philosophical Issues that Divide Liberals: Omniscience or Omni-nescience about the Future?" provides a fatherly warning that this "opposite extreme of total uncertainty and unpredictability," as he considers it, may lead to reckless abandon and institutionalism.

Interpretation versus Late Classical Formalism

Why can't neoclassical economics account for subjectivity in both cost and choice? A primary reason is its fascination with formal modeling. In fact, contemporary neoclassical economics is *obsessed* with models and model building, and casts a cold, "holier than thou" shadow upon its sister social sciences and subdisciplines which fail to live up to the

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modeling ideal. Formal models and science are considered one and the same. When asked, for example, why sociology is not awarded the Nobel Prize, a Nobel laureate in economics of a few years back replied something like the following: "But it is—there is a Nobel Prize for literature."

This fascination with modeling and subsequent derision of interpretive analysis stems from the general recognition that physics is the exemplary science. Surely physics, the King of Science, does not lie lazily about on a bed stuffed with mere verbiage, but instead strides proudly upon the solid ground of differential calculus and empirical verification. To be worthy of scientific stature, economics, it is believed, must strive after the same methods. In short, economics becomes a social physics of a sort, whereby individuals are treated like atoms which react within the confines of a vast parametric structure we mistakenly call an economy. Price is not the unintended consequence of the exchange activities of individual persons; rather, it is modeled as a parameter which constrains and determines individual behavior *before* exchange takes place, like the temperature of a heat source which determines the molecular reactions within a closed system. Pick up an upper-level economics textbook and compare it to one used in a course which studies chemical equilibrium and you'll find little difference. Indeed, the formal structures are quite similar; the *words* are what differ.

Lachmann argues that this propensity toward modeling is not simply the product of the frameworks created by Samuelson and Debreu, but can be traced back to the verbal mathematics of David Ricardo, and is therefore a variant of what he has dubbed "late classical formalism."[10] Under formalism all references to human intentionality, plan formation, decision making under conditions of true uncertainty, and the uniquely human potential for surprise are squeezed out by the economist's focus on functional relationships between the prices and quantities of things. The rational expectations hypothesis is quite revealing in this respect: an admirably consistent and logical outcome of the neoclassical assumption of rational, maximizing behavior, the hypothesis suggests that the subjective probability distributions of economic agents equal their objective counterparts in the real world. In other words, "agents" are modeled as confronting situations of risk, where the probabilities of certain outcomes are given and known; they react in typical maximizing fashion. This is opposed to acting under uncertainty, in which the probabilities, and perhaps even many of the possible outcomes are not known, as is true of the everyday world.

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(Actually, even this grants too much to the rational expectations hypothesis, for after a number of trials these subjective probability distributions collapse into a certainty equivalent.)

In his essay "Mechanomorphism," one of the most thought-provoking pieces in the *festschrift,* Karl Mittermaier takes up this issue by condemning neoclassical theory for treating human agency and interaction as if they were part of a mechanical rather than a social process. Agents do not choose, they react to various prices and incomes; they do not actively create plans for an uncertain future, but instead move according to some "well-behaved" function; indifference analysis and Lagrangian multipliers replace human agency. It is quite an irony that the advancement of the physical sciences, which took place because anthropomorphic notions of physical phenomena were jettisoned (that is, treating plants, rocks, rivers, etc. as though they had the human characteristics of purpose and intention), has led economists to purge the anthropomorphic notions of intention, will, etc. from their own field of study. (Yet economists have become increasingly enchanted with studying laboratory rats from the standpoint of market prices, incomes, and so on—uniquely *human* phenomena). It takes little reflection to realize that economics *should* be anthropomorphic—it is the study of human action!

Mechanomorphism's main problem, if I interpret Mittermaier correctly, stems from an *uncritical* use of metaphors. Such mechanistic metaphors as "equilibrium," market "forces," "maximization," etc., have been adopted practically *in toto* from physics, a discipline not concerned with subjectivity and choice, and may therefore be a very poor means to interpret human phenomena. Purging the scientific conversation of metaphors and other rhetorical devices, however, is not the key, as Donald McCloskey has shown.[11] Rather, we should choose more appropriate ones for our specific scientific context.

A mere modification of existing metaphors may not be very successful, as I gather from Lawrence A. Boland's attempt at this in "Methodology and the Individual Decision Maker." Trying to add a subjectivist flavor to the standard notion of utility maximization, rather than rejecting formal metaphors altogether in favor of subjectivist ones[12] leads Boland into an intellectual thicket. "How does the individual know all the givens?" he asks. Can't it be the case, he continues, that "the assumed utility function can be true or false"? From this Boland explains that the individual comes to "know" his utility function by making market purchases. Boland claims that "it is precisely the *learning by doing* situation that Lachmann mentions. The in-

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dividual's pattern of purchases must over time reflect his or her approach to learning the true utility function." This, I maintain, cannot be farther from the truth. There exists no "true" or "false" utility function—it is a mental construct of the practicing economist. The agent under study knows all the givens *by assumption,* and reacts according to "convex" preferences *by assumption.* The real-world individual, for all we know, couldn't care less about the nature and shape of his utility function. The "learning by doing" that Lachmann, Hayek, and the Austrians in general talk about has to do with following out one's plans and intentions, as one tries to interpret market signals in order to coordinate one's individual activities with the complex social world in which he finds himself. It has nothing to do with the discovery of the "true" functions which underpin neoclassical analysis. To believe otherwise is to fall into the fallacy of what Fritz Machlup has called "misplaced concreteness." The formal functions themselves are nothing but the tools the neoclassical economist uses to explain human phenomena.

To get around such a problem, Mittermaier posits a "coherence rule" for the choice of the particular metaphorical language we deploy such that "a question should be posed in terms which all belong to the same domain of thought and . . . the corresponding answer should be composed in terms which all belong to the same domain of thought as the terms of the question." But the search for objective rules of science usually ends in failure. To the extent that Mittermaier wants to draw our attention to the plethora of poor metaphors we use today so we may critically reflect upon their usefulness and develop metaphors with a sense of direction and resolution, rather than pusillanimously blending often contradictory elements together in the same language as Boland appears to have done—which for the most part is, I believe, what Mittermaier is trying to do—such a "rule" is appropriate. But to the extent that the rule will somehow be used objectively to demarcate science from nonsense, it may do more harm than good, for it is the insistence upon such steadfast "rules" that produced the state of affairs in which we now find ourselves. Better "rules" of science are like better people in public office; the intentions might be sound, but the outcomes seem to be the same.

As opposed to the development of new rules or a passive acceptance of the formalist status quo, Lachmann has for years stressed the importance of an interpretive approach to the understanding of market processes which is more congenial to the nature of human choice in a complex social context. Lachmann sees economics as aiming to render the

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intended and unintended consequences of market interaction—firms, money, legal institutions, etc.—intelligible in terms of the plans of its constituent members. But these plans themselves can be understood only in the context of the intersubjective life world, or the shared meanings of the individual actors. He therefore calls upon the *Verstehen* of Max Weber and the hermeneutics of the Continental tradition to fulfill this goal.

There are many levels of interpretation. In "Toward a Hermeneutical Economics: Expectations, Prices, and the Role of Interpretation in a Theory of the Market Process," Richard M. Ebeling focuses primarily on the way market participants interpret the signals which emerge in the marketplace. For instance, just what *is* conveyed by market prices? Neoclassical theorists maintain that "prices convey information." By "information," however, they mean the relevant marginal rates of substitution in consumption and productive transformation, or, in layman's terms, essentially everything that needs to be known in order to satisfy an efficient allocation of resources. To Austrians, a market price is a piece of information that conveys *knowledge;* specifically, market prices convey the predominantly tacit knowledge of particular circumstances of time and place dispersed among individual market participants. As Hayek has forcefully argued, "the 'man on the spot' cannot decide solely on the basis of his limited but intimate knowledge of the facts of his immediate surroundings. There still remains the problem of communicating to him such further information as he needs to fit his decisions into the whole pattern of changes of the larger economic system."[13] Prices assist in such an orientation. Ebeling points out that in a world of ceaseless change, however, these prices must be interpreted by the actors, for the knowledge they convey may be ambiguous. The seller faced with an unsold inventory at today's prices, to use Ebeling's example, learns that something is "wrong." Just what is wrong requires his interpretation of current prices and his expectations of tomorrow's events. Whether he should slow down production, lay off workers, or relocate the shop is decided by his interpretation of the market signals. The balance sheet exposes his interpretations as either "correct" or "incorrect." This interpretive approach to knowledge and knowledge acquisition differs radically from the neoclassical notion of "imperfect information," which treats knowledge as just another economic good which is economized upon in the normal maximizing fashion. Ebeling's piece offers an interesting preliminary account of how Austrians may begin applying their theoretical interpretive techniques at the level of decision-making in a world of uncertainty and

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dispersed knowledge. Don Lavoie's "Euclideanism versus Hermeneutics: A Reinterpretation of Misesian Apriorism" takes up the difficult exegetical task of asking what Mises "really meant." Lavoie does *not* make the nonsensical claim that Mises "was" a hermeneuticist, as a superficial reading of his essay might imply. Rather, he attempts to appropriate the latent meaning in Mises's methodology which is most consistent with Mises's life work. Lavoie argues that a reinterpretation of the Misesian a priori as "a level of pregiven intersubjectivity, of common understanding which precedes and sustains science" rather than as a closed, apodictically certain Kantian category may be a more fruitful way to approach the philosophical underpinnings of praxeology. Such an interpretation seems to be much more consistent with the philosophical tradition that surrounded and influenced Mises, which is evidenced by his positive interaction with the work of Dilthey, Weber, Husserl, and Schutz. It is also consistent with the current hermeneutical tradition toward which these phenomenologists pointed, which is arguably the philosophy at the cutting edge of the attack against today's endemic formalism.

The Question of Equilibrating Tendencies

No review of Lachmann's thought in general and this *festschrift* in particular would be complete without at least a brief discussion of the debate over equilibrating processes.

At least since Adam Smith, economists have noticed that positive consequences emerge from the anarchy of the market. Although not directed by a planning board or a programmed computer system, the inherent clashing of differing and often conflicting individual plans nevertheless shows a high degree of rationality. An otherwise impossible series of trades is enabled by the use of a general medium of exchange. Prices rise during shortages and fall during surpluses. Saving takes place and production activities gear themselves for future wants. Paris gets fed.

One is inclined to call this an "equilibrating" process. Although this is indeed what Austrians have argued for quite some time, Lachmann argues that the market process "disequilibrates" just as much as it "equilibrates." Among Austrian-school economists, the dust is just now beginning to settle in reaction to this surprising claim.

Several chapters in the *festschrift* devote themselves to the equilibration question. Roger Garrison presents his "middle ground" thesis in

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"From Lachmann to Lucas: On Institutions, Expectations, and Equilibrating Tendencies." Identifying Lachmann as an "equilibrium never" theorist and Lucas as an "equilibrium always" theorist, Garrison goes on to explore the apparently sane middle ground occupied with what he labels the "equilibrating tendencies" theorists—Mises, Hayek, Kirzner. By Garrison's construction, Lucas's position, which views the economy as always enjoying an equilibrium state, denies the problem that economists are trying to explain, while Lachmann's position denies its solution. The middle ground theorists, according to Garrison, view entrepreneurship as an equilibrating vehicle which brings about, through arbitrage and discovery, a convergence of expectations. Hence, though it never quite makes it, the market process unambiguously tends toward a general equilibrium state in which all plans are consistent, each good has but one market price, and profit opportunities no longer exist. In "Equilibration and Disequilibration in the Market Process," Jack High argues that entrepreneurship is *not* strictly equilibrating, and thus sides with Lachmann on the issue. "Looking at the market as a strictly equilibrating process," says High, "requires us to remain silent about changes that Austrian economics is particularly well equipped to explain. If we adopt the view that changes in tastes, technology, and resources are given, that entrepreneurship does not shift curves, but merely notices that they have shifted, we involve ourselves in the same inadequacy that entrepreneurship was supposed to extract us from." High maintains, if my understanding is correct, that the purposeful attempts of consumers and producers to improve their respective situations necessarily generate changes in tastes, technology, and resources themselves; considering these elements as exogenously given "data" arbitrarily limits the realm of human action which we, as praxeologists, must seek to understand. Allowing the "data," or more preferably, the *knowledge* to change during the course of human interaction leads one to recognize that expectations may diverge, and hence the process itself does not necessarily tend toward a general equilibrium.

Exchange is motivated by differences of opinion and differing expectations. As Mark Addleson points out in "'Radical Subjectivism' and the Language of Austrian Economics," "The incompatibility of plans is a necessary condition for their existence. Such incompatibilities arise both within and between markets." In a gem of an article, "Spontaneous Order and the Subjectivity of Expectations: A Contribution to the Lachmann-O'Driscoll Problem," Ulrich Fehl analyzes the market process from the standpoint of order and ordering processes rather than equilibrium and equilibrating tendencies, and man-

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ages to transcend, if not make obsolete, the Garrisonian spectrum.[14] Like Addleson, Fehl argues that the market order is maintained through a heterogeneous state of expectations. Different people utilize different knowledge, judge current events differently, have differing expectations, and therefore make different choices. As Fehl states, "Different actions will produce different facts. In short, divergent imaginations will produce a heterogeneous state of affairs. Therefore, a selection order generated by the very diversity of expectations will emerge when the future converts into present time. Clearly, because of the diversity of imaginations and actions not all individuals can have taken the right course. But in light of the now present knowledge and needs, market participations can choose between the 'results' being the outcomes of different actions of different people. Arbitrage as a driving force in the market can work!" In other words, though the market is never in equilibrium in the conventional sense, it nevertheless exhibits a high degree of order, a discernible pattern of events, as opposed to chaos.

What is being developed here, and in High's piece is a call for a social evolution theory which interprets the evolution of market institutions as the unintended outcome of human interaction, and a process theory which analyzes the laws of operation of these institutions. Although still in a developmental stage, neither evolution theory nor process theory depends upon the mechanical metaphor of equilibrium, nor its equilibrating-disequilibrating counterparts, and, thus, both point beyond the work of Lachmann himself.

NOTES

1. See Walter E. Grinder, "In Pursuit of the Subjective Paradigm," in *Capital, Expectations, and the Market Process: Essays on the Theory of the Market Economy*, edited by Walter E. Grinder (Kansas City: Sheed Andrews and McMeel, Inc., 1977), 3–24 for an excellent account of Lachmann's intellectual and professional development.
2. Ludwig M. Lachmann, "Professor Shackle on the Economic Significance of Time" [1959], in *Capital, Expectations, and the Market Process*, 92.
3. Ludwig M. Lachmann, "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society," *Journal of Economic Literature* 14 (March, 1976): 54–62.
4. Lachmann, "From Mises to Shackle," 56, 60–61.
5. See, for instance, George A. Selgin, "Praxeology and Understanding: An Analysis of the Current Crisis in Austrian Economics," forthcoming in

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Review of Austrian Economics 2 (1987). I should mention that Selgin has modified his views since the first version of his paper was written.

6. James M. Buchanan, *Cost and Choice: An Inquiry in Economic Theory* (Chicago: University of Chicago Press, 1969).
7. Ludwig von Mises, *Nation, State, and Economy: Contributions to the Politics and History of Our Time*, tr. Leland Yeager (New York: New York University Press, 1983), 13.
8. Ludwig M. Lachmann, *The Legacy of Max Weber* (Berkeley: Glendessary Press, 1971), 13.
9. Gerald P. O'Driscoll and Mario J. Rizzo, *The Economics of Time and Ignorance* (New York: Basil Blackwell, 1985).
10. Ludwig M. Lachmann, "Austrian Economics in the Present Crisis of Economic Thought" [1976], in *Capital, Expectations, and the Market Process*, 25–41.
11. Donald N. McCloskey, "The Rhetoric of Economics," *Journal of Economic Literature* 21 (June, 1983).
12. In a much-neglected article, James Buchanan has pursued the radical subjectivist metaphor by noting that since "persons imagine themselves to be other than they are and . . . they take action designed to achieve imagined states of being," each actor "constructs himself through his own choices, he sheds the animalistically determined path of existence laid out for him by the orthodox economists' model. A determined and programmed existence is replaced by the uncertain and exciting quest that life must be." See James M. Buchanan, "Natural and Artifactual Man," in *What Should Economists Do?* (Indianapolis: Liberty Press, 1979), 93–112.
13. F. A. Hayek, "The Use of Knowledge in Society," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), 77–91.
14. For a complementary attempt, see Pete Boettke, Steve Horwitz, and David L. Prychitko, "Beyond Equilibrium Economics: Reflections on the Uniqueness of the Austrian Tradition," *Market Process* 4, no. 2 (Fall, 1986).

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Roger W. Garrison

THE KALEIDIC WORLD OF LUDWIG LACHMANN

THE MARKET AS AN ECONOMIC PROCESS
by Ludwig M. Lachmann
New York: Basil Blackwell, 1986. 173 pp., $29.95

Ludwig M. Lachmann has been writing about markets for half a century. Having received his formal education in Germany by the early 1930s, Lachmann went to England where, along with fellow student G. L. S. Shackle, he studied under F. A. Hayek. After writing and lecturing for some years in London, he settled in at the University of Witwatersrand in Johannesburg, South Africa for several decades of continued scholarship.

Until the mid-1970s Lachmann was known to Americans only through his writings, and his influence on American economics was not great. But in 1974 he was one of three lecturers featured at a conference on Austrian economics held in South Royalton, Vermont and sponsored by the Institute for Humane Studies. Beginning in 1975 and largely as a result of the South Royalton lectures, Professor Lachmann has taught each spring semester at New York University, returning to Johannesburg for the remainder of the year.[1]

The Market as an Economic Process, itself the result of a process that began several years ago, serves as the major focus of this review. A second volume, *Subjectivism, Intelligibility, and Economic Understanding: Essays in Honor of Ludwig M. Lachmann on his Eightieth Birthday* [reviewed elsewhere in this issue] plays a minor role. Because of the diversity of

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the twenty-three papers that make up this birthday offering, no comprehensive account can be undertaken. But two of those papers, one by the reviewer, will aid in linking the arguments in Lachmann's own book to an important issue that has captured the attention of Lachmann and his readers for the last several years: the presence—or absence—in the market process of a tendency toward equilibrium. But before dealing with this or any other substantive issue, let me focus attention on Lachmann's *vision* (as Joseph Schumpeter used the term) of the market economy.

Clockworks and Kaleidoscopes

Readers familiar with Lachmann's writings will not be surprised or puzzled by his frequent allusions to the kaleidoscope. Readers not so familiar may wonder about the recurring prepositional phrase "in a kaleidic world." An understated passage in Chapter 3 links Lachmann's own usage of this imagery with G. L. S. Shackle's. The society in which we live, according to both Shackle and Lachmann, is a "*kaleidic* society, interspersing its moments or intervals of order, assurance and beauty with sudden disintegration and a cascade into a new pattern."[2] The underlying vision of the market economy adopted by Shackle and Lachmann is captured by this comparison of the market process to the dynamics of a kaleidoscope.

Many proponents of the Austrian school forswear using the language of Newtonian mechanics, sometimes brashly condemning altogether the use of metaphors in constructing economic theories. While recognizing that pendulums and kaleidoscopes each have their own internal logic, Lachmann systematically rejects Newtonian mechanics in favor of Shackelian kaleidics as the more relevant metaphor. He makes his preference clear in one of his chapter titles: "The Market is not a Clockwork."

Neither, as I will argue below, is it a kaleidoscope. But the kaleidoscope does serve as a convenient peg on which to hang Lachmannian ideas: radical subjectivism, emphasis on process, the role of asset markets, and the Keynesian connection, to name a few. Throughout Lachmann's discussions of methodology, knowledge, capital and money, and his comparison of equilibrium and disequilibrium approaches to economic theorizing, the reader will want to keep one eye on the pendulum while peering into the kaleidoscope with the other. The contrast between these two models of the economy, the reader will discover, is a

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true reflection of the contrast between Lachmannian economics and the orthodoxy.

The kaleidoscope's intricate pattern of colored glass represents the pattern of prices that are determined by buyers and sellers in commodity markets and by bulls and bears in asset markets. The pattern has order and beauty, but not longevity; no given pattern can last for long. The passage of time is necessarily marked by the discovery of new information in the form of fulfilled or disappointed expectations of investors. This is the nature, according to Lachmann, of the market process. Such discoveries can change bulls into bears or bears into bulls. The resultant shuffling about of capital assets jars the kaleidoscope. A new pattern of prices emerges, but the particulars of the new pattern could not have been predicted solely from the former pattern or from the sum total of knowledge that underlay it.

The inevitable discovery of new information as the market process unfolds has no analogue in Newtonian mechanics. Future positions of a pendulum can be calculated from its present position, its mass, and the forces acting upon it. The position at which the pendulum finally comes to rest is not the result of a *process*—as Lachmann uses the term. That is, the final equilibrium position is independent of the magnitude and direction of the particular movements that delivered the pendulum to that position.

Radical Subjectivism

Lachmann is a thoroughgoing subjectivist. Though influenced at an early age by the writings of Carl Menger, he takes his methodological cue directly from Hayek, who wrote more than forty years ago what was to become one of the most frequently quoted statements of Austrian methodology. "It is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism." Lachmann quotes this statement from Hayek's *Counter-Revolution of Science* not just once, but twice (pp. 23 and 144). Menger established the subjectivity of value. Ludwig von Mises employed the subjective marginal utility theory to account for the value of money. Shackle and Lachmann have emphasized the subjectivity of knowledge and expectations.[3] And in his concluding chapter, Lachmann makes a plea for still a further "thrust toward subjectivism."

Students of Menger's marginalism should be the first to recognize

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that there can be too much of a good thing. While we need not call Hayek's assessment into question, we may legitimately wonder how far we can push subjectivism without losing sight of the essential objective aspects of economic reality. Lachmann's critics who are disturbed by the nihilistic overtones of Radical Subjectivism have argued, in effect, that Lachmann has pushed too far.[4] Consider, for instance, subjectivism in monetary theory, an issue that Lachmann addresses in his Chapter 5 by chronicling what he sees as a "thrust towards subjectivism" over the last three-quarters of a century. The reader may suspect that Lachmann has taken Hayek too literally. Do we really want to measure progress in economics by the extent to which the subjectivist elements are readily detectable?

Beginning his account with the publication of Irving Fisher's *Purchasing Power of Money,* Lachmann identifies the major steps, as he sees them, away from functionalism and towards subjectivism. The success of Fisher's book is attributed to his combining a truism (the equation of exchange: MV = PT) with an empirical generalization (the near constancy of V, the velocity of money). From these elements follows the proposition that PT, the number of transactions multiplied by the average price of the goods transacted, is proportional to M, the quantity of money in circulation.

Lachmann leaves out of account Mises's *Theory of Money and Credit* because it was not published in English. He identifies the next step in the subjectivization of monetary theory as a 1917 article by A. C. Pigou in which both sides of the equation of exchange are divided by V. The reciprocal of the velocity of money is rechristened k in what was to become known as the "Cambridge equation." The Cambridge k focused attention on the amount of money that people choose to hold as a proportion of their incomes rather than on the rate at which money circulates through the economy. Most historians of monetary thought believe that the difference between the Fisher equation and the Pigou equation, especially when judged in the light of the textual material that accompanied each, is one of form rather than substance. The formal difference was put in proper perspective by a quip attributed to D. H. Robertson: "k is money sitting; V is money on the wing." But Lachmann sees significance in the reformulation: "The introduction of k connotes the infusion of a dose of subjectivism into a set of relationships which did not seem to offer much scope for acts of human minds."

Credit for the next advance goes to John Maynard Keynes, who in-

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sisted upon dividing the total demand for money into several separate demands each identified with some specific *purpose*. The use of the word purpose in this context is enough to win kudos from Lachmann. The question of whether one of the alleged purposes, the so-called speculative demand for money, makes sense, and the question of whether it makes sense to treat different reasons for demanding money as separate and additive demands for money, are downplayed. We should not complain too loudly, the reader is led to believe, if the road to a radical subjectivist monetary theory contains some rocky stretches.

While John R. Hicks is cited for having given explicit and articulate expression to monetary subjectivism, the highwater mark in Keynesian subjectivism came in Keynes's 1937 article in which he attempted to explain what his 1936 book, *The General Theory,* actually meant. Keynes explains, in effect, that the demand for money in the present derives from the uncertainty of our knowledge about the future. And the kind of uncertainty that Keynes is referring to is the kind that Lachmann calls radical uncertainty and associates with radical subjectivism. According to Keynes, as quoted by Lachmann, "We simply do not know."

But as Lachmann recognizes, the Keynesian refrain, "we simply do not know," is frequently invoked when not knowing serves some polemical purpose. Keynes's views on private spending and public spending are illustrative. We cannot leave investment decisions to businessmen in the private sector because they do not know enough about the future to make their "parting with liquidity" worthwhile. By contrast, when government spending on public works is under consideration, the debilitating uncertainty goes into remission. And the question of whether the spending is worthwhile somehow becomes irrelevant. More tellingly, Keynes has great confidence in his own "knowledge" that total output in the economy will rise to a certain multiple of the initial government spending.

Finally, and with some uneasiness, Lachmann extends subjectivist honors to Milton Friedman for his reformulation of the quantity theory. Friedman shifted the focus of analysis from the supply of money to the demand for money; he included an "almost embarrassing variety of expectations" in his demand-for-money equation; and he (easily) outdid Keynes by consistently accounting for the effects of the expectational variables. Lachmann concludes his discussion of Friedman's "thrust toward subjectivism" in puzzlement. "For reasons not for us to fathom Professor Friedman chose to don the mantle of a subjectivist.

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For reasons more readily understood he decided to borrow one from the Keynesian wardrobe. Embarrassing as it is, we cannot fail to notice how ill the garment fits him."

The reader may suspect that Lachmann's dogged attention to subjectivist elements in monetary theory has led him to an untenable view of Friedman's Monetarism. Friedman included expectational variables in his demand-for-money function only to show that when these expectations are proxied by actual values from the past and incorporated into an appropriate lag structure, the demand for money in the present is almost wholly accounted for. That is, the Monetarists have sought to show that the demand for money is a stable function of a relatively small number of current and past variables. Further, the reason that Monetarists focus on demand and its stability properties is precisely to establish the importance of supply: if demand is stable, then changes in the price level—or in the rate of inflation—are to be wholly attributed to changes in the money supply. The empirical demonstrations that "inflation is always and everywhere a monetary phenomenon," which are based on money-supply and price-level data from many countries over many decades, reflect little in the way of Keynesian or Lachmannian subjectivism.

Curiously, the Austrian monetary theorists are all but left out of account in Lachmann's chapter on money. And except for a single hint, there is no mention of a central bank or recognition that bank policy may seriously impair the private sector's ability to make monetary calculations and to equilibrate the supply and demand for money. Lachmann simply reaffirms that the Austrian treatment of expectations in the context of capital theory and the business cycle has never had much plausibility to him. He references his 1943 article in which he challenged Mises on the basis of what would now be called a rational-expectations argument. The reader might justifiably wonder if Lachmann hasn't taken a cue from Keynes and selectively ignored the knowledge problem when doing so squared with his own vision of the market economy. Investors, evidently, have no problem in anticipating the policy moves of the central bank and offsetting the effects of those policies by appropriately altering their own investment decisions. It is interesting to note that a radical subjectivist anticipated by several decades the extremes of modern formalism that now characterize the New Classicism.

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The Question of Equilibrating Tendencies

Developments in economic science from Adam Smith's invisible hand to F. A. Hayek's spontaneous order have provided increased assurance that market forces are equilibrating forces and therefore that there is a distinct tendency in market economies toward the coordination of the individual plans of market participants. But Lachmann calls into question all such claims that a tendency toward equilibrium exists. Because of the subjectivity of the knowledge which is acquired as the market process unfolds, and of expectations, which are based upon but are not uniquely determined by this changing knowledge, no tendency toward equilibrium can be established.

The issue of the existence or the effectiveness of equilibrating tendencies in a market economy is complicated by the multiplicity of meanings of the term "equilibrium." Can we count on markets to create and maintain some degree of intertemporal coordination among the economic activities of a multitude of market participants? This is the question that concerns Lachmann. Two particular conceptions of equilibrium relevant to this question must be distinguished: partial equilibrium and general equilibrium. Under normal circumstances, approximate equality between the amount of a particular good supplied and the amount demanded is maintained by appropriate pricing responses to incipient surpluses and shortages. This Marshallian notion of *partial* equilibrium, described by Lachmann as the result of "intra-market processes," is not in serious dispute.

But the question of a tendency toward a *general* equilibrium is a different matter. The issue is not whether the economy is actually in an equilibrium or whether it will eventually achieve such a state. There are no economists who believe that general equilibrium is actually realized—except for the New Classicists, who are willing to redefine equilibrium such that it squares with any imaginable state of affairs. Lachmann is concerned, in effect, that Marshall's partial equilibrium may not legitimately be extended, or generalized, to apply to the market economy as a whole. The interconnectedness of markets coupled with other considerations warns against such an extension. Market forces spill over from one market to another; intertemporal market forces are weak or nonexistent; each market participant must form his own expectations in a cloud of radical uncertainty. Lachmann finds it "hard to see why, in a world in which thousands of markets are connected by links however tenuous, inter-market processes should be

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thought necessarily to converge on positions of equilibrium." This agnosticism, which permeates much of Lachmann's writings, reinforces his preference for Shackelian kaleidics over Newtonian mechanics. In a kaleidic world, one pattern of prices gives way to another, but there can be no claim that a given pattern is any closer to a general equilibrium, or represents any higher degree of coordination, than the one that preceded it.

Most market-oriented economists, whether Austrian or Neo-Classical, are willing to rely on the system of profits and losses to produce a tendency toward equilibrium. Entrepreneurs who can see most clearly through the cloud of uncertainty earn profits, which, in turn, increase their command over productive resources; entrepreneurs who see least clearly make losses, which decrease their command over productive resources. These aspects of the market process are the basis of my own contribution to Lachmann's birthday volume. As hinted in my title, "From Lachmann to Lucas: On Institutions, Expectations, and Equilibrium Tendencies," I positioned Lachmann the radical subjectivist and (Robert) Lucas the New Classicist at polar extremes on a spectrum of views. I dubbed Lachmann's position "Equilibrium Never," and Lucas's position "Equilibrium Always," and then I opted for the middle ground, somewhere between clockwork and kaleidoscope: the market exhibits "Equilibrating Tendencies." Drawing on Mises and Hayek, I argued that entrepreneurship coupled with profits and losses conferred by the market would anchor market activities to the "underlying economic realities."

In subsequent correspondence, Lachmann indicated, in effect, that he was not persuaded to move any distance from his polar position. He further indicated that there can be no such thing, in his view, as "underlying economic realities" that form a basis for coordination—not, at least, in our world, a world of ceaseless change. (I could almost see him shaking his kaleidoscope at me as he spoke). But rather than carry on the debate in private correspondence, he referred me to another contribution to the birthday volume, one by Jan Kregel, a Post-Keynesian who sought to put "underlying economic realities" in their place. And as it turns out, Kregel's essay, "Conceptions of Equilibrium: The Logic of Choice and the Logic of Production," is worthy of some attention.

Kregel discusses several conceptions of equilibrium whose differences hinge on the different roles played by subjective factors and objective factors. But because of the nature of his subjective/objective distinction, his arguments invite misinterpretation. So-called objective factors, for instance, include not only technology but also input costs

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and relative rates of return. Those who have learned their value theory from Menger and Mises will find Kregel's distinction puzzling. It may be helpful, then, to recast his argument using the more conventional, and more modern, Neo-Classical terminology.

Essential to standard Neo-Classical theory is the notion that each firm in the economy maximizes its own profits within a set of given constraints. For the economy taken as a whole, the given constraints include consumer tastes and preferences, the distribution of wealth, resource availabilities, and technology. These are the factors that I referred to above as the "underlying economic realities." In Kregel's terminology an equilibrium in which these factors form the binding constraints is logically implicit in the constraints themselves. Such an equilibrium is said to be based exclusively on objective data.

This objectively defined equilibrium abstracts from any problems or frictions in the market process that supposedly performs the equilibration. But according to Kregel and Lachmann, subjective expectations, which are inherent in the market process, rob the objective data of all their significance. In fact, the very existence of the objective data is called into question. Consumer demands are governed in part by consumer incomes, which are determined by the decisions of entrepreneurs, which, in turn, are based upon expectations about consumer demands. The reasoning may be circular, but it captures a critical circularity that characterizes the market process. If the expectations of entrepreneurs turn out to be the binding constraint, the objective data have no opportunity to reveal themselves, and any equilibrium actually achieved is one based exclusively on the subjective data.

The emphasis on the role of expectations to the virtual exclusion of the more fundamental constraints is what gives Kregel's Post-Keynesianism and Lachmann's Radical Subjectivism their kaleidic nature. Expectations can and do change in ways that we have no way of predicting or even fully explaining. We can only watch the resulting changes in the pattern of prices and wonder why others associate those patterns with an "underlying economic reality." A partial explanation of such changes, however, comes in the form of a path-dependency effect, the *sine qua non* of Lachmann's market process.

The Significance of the Path-Dependency Effect

The dynamic properties of Lachmann's world depend in large part upon the dominance of a certain path-dependency effect. This effect

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gets brief mention in the first chapter and underlies much of Lachmann's theorizing. In the broadest terms, if the specifics of a general equilibrium position depend upon the particular sequence in which the market process eats away at disequilibrium, a path-dependency effect is said to exist. If the path-dependency effect is sufficiently large, it may be misleading if not meaningless to speak of an equilibrating tendency. Each step in the market process significantly changes the equilibrium toward which the process is supposedly tending, thus guaranteeing that the next step will be in some other direction.

In modern Neo-Classical theory, path-dependency effects usually take the form of income or wealth effects. Trading at disequilibrium prices can shift wealth from one market participant to another. While the very same trading helps to bring prices to their equilibrium levels, the equilibrium itself is determined by the preferences of each market participant weighted by his ability to influence market outcomes, that is, by his wealth. To avoid analytical messiness Leon Walras, the father of general equilibrium theory, assumed that there is no trading at false (i.e., disequilibrium) prices.

In Lachmann's analysis, the path dependency takes the form of changing knowledge rather than changing wealth. Expectations are necessarily divergent: it takes both bulls and bears to clear the asset markets. Even if we conceive of the market process as tending toward some equilibrium, we must recognize that as the process begins to unfold, asset holders will acquire additional information, which will cause their expectations to change. In turn, the changing expectations will have an effect, possibly a drastic effect, on the equilibrium to which the market process is tending. Discoordination, as implied by the conflicting views of bulls and bears, does not give way to coordination but only to some alternate pattern of discoordination. The Lachmannian bull (as well as the bear), we are led to believe, is a bull in a china shop.

Austrianism and Keynesianism in Perspective

"It is a fact," according to Lachmann, "that the neoclassical orthodoxy has, to this day, failed to grasp the consequences of the volatility of asset markets." Attention to path-dependency effects in the form of highly volatile asset markets gives Lachmann's analysis a distinct and overt Keynesian flavor. In Keynes's vision of the market process the marginal efficiency of capital, which reflects profit expectations, shifts

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about with waves of optimism and pessimism. Businessmen are moved by "animal spirits," to use Keynes's own colorful language, to undertake investment projects. When riled by the spirits, investors create a prosperous economy; when the spirits are on the wane, the demand for capital assets falls, possibly triggering an economic collapse.

Keynes goes so far as to lament the emergence of organized capital markets. Without such markets, changing expectations about the profitability of different capital combinations, whether brought about by the waxing and waning of the animal spirits or the acquisition of new information, could not disturb an otherwise orderly market process. Keynes's own grasp of the consequences of the volatility of asset markets becomes clear when he ponders possible remedies. "The spectacle of modern investment markets has sometimes moved me toward the conclusion that to make the purchase of an investment indissoluble, like marriage, except by reason of death or other grave cause, might be a useful remedy for our contemporary evils."[5]

While Lachmann abstains from offering such a Draconian prescription, his diagnosis of the problem is much the same as Keynes's. The invisible hand of Adam Smith works tolerably well in an exchange economy. With such a steady hand on the kaleidoscope, the particular pattern of glass and prices is more interesting than the fact that the kaleidoscope might be bumped. But with the emergence of organized capital markets, the invisible hand becomes palsied. In Keynesian terms, speculation dominates enterprise; in Lachmannian terms, the shaking of the kaleidoscope renders any particular pattern of glass and of prices irrelevant.

Grasping what Lachmann is saying is easier than understanding why he is saying it. It is coming to be recognized, especially in Austrian circles, that Keynes's view of the market process derives from the fact that Keynes had no theory of capital. Intertemporal market forces that work to coordinate savings with investment and to tailor the economy's production activities to match intertemporal consumption preferences are not at work in the *General Theory*. The conclusion that market economies are inherently unstable follows trivially.

But the Austrians do have a theory of capital. In his *Capital and Interest,* Eugen von Böhm-Bawerk identified the critical intertemporal relationships within the economy's structure of production; Hayek in his *Pure Theory of Capital* identified the corresponding relative-price relationships and showed how the market process could achieve intertemporal coordination. Lachmann's own *Capital and Its Structure* gave us a healthy appreciation for the difficulties involved in market-

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directed intertemporal coordination, but it did not reduce our confidence in the market's performance—especially when compared to the performance of possible alternative institutions.

It is true that neither Keynes nor Lachmann can see these market mechanisms by peering through a kaleidoscope. But for the Austrians, this just means that the scope of analysis is too narrow. If movements in asset prices are not understandable within the context of a single period, we should broaden the analysis to include a sequence of periods. Only by taking into account the intertemporal relationships within the multi-period capital structure can we make such price movements intelligible. We need not claim that the market process in a highly industrialized market economy is smooth and trouble-free. The kaleidoscope does on occasion get bumped. But based on our reading of Mises and Hayek, we can suggest that the bumping is done not by bulls and bears but by the central bank—a factor that Lachmann now chooses to downplay.

Lachmann's readers have long valued his early contribution to the theory of capital. His *Capital and Its Structure,* published over thirty years ago, provided a satisfying account of the heterogeneity of the economy's capital stock and of the network of interrelationships that, taken together, govern the market value of each of the elements that make up the capital structure. While his readers may wonder why this thoroughly Austrian vision of the market economy did not serve as the point of departure for his *Market as an Economic Process,* they will appreciate this most recent book's demonstration—however inadvertent—of the importance of a well developed capital theory in theorizing about the market process.

NOTES

1. Lachmann's South Royalton lectures, along with the lectures of Israel M. Kirzner and Murray N. Rothbard, are published in Edwin G. Dolan, ed., *The Foundations of Modern Austrian Economics* (Kansas City: Sheed and Ward, 1976). For a more complete biographical treatment of Lachmann's long and scholarly career, see Walter E. Grinder's introduction, "In Pursuit of a Subjectivist Paradigm," in Ludwig M. Lachmann, *Capital, Expectations, and the Market Process* (Kansas City: Sheed, Andrews, and McMeel, 1977), 3–24.
2. Lachmann took the quoted passage from G. L. S. Shackle, *Epistemics and Economics* (Cambridge: Cambridge University Press, 1972), 76. This

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imagery also underlies Shackle's *Keynesian Kaleidics* (Edinburgh: Edinburgh University Press, 1974).

3. See Ludwig M. Lachmann, "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society," *Journal of Economic Literature* 14 (March, 1976): 54–62.
4. See Leland B. Yeager, "Why Subjectivism?," *Review of Austrian Economics* 1 (1987): 5–31.
5. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1936), 160.

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RESEARCH

Tom G. Palmer

GADAMER'S HERMENEUTICS AND SOCIAL THEORY

Recent years have seen a great upsurge of interest in Hans-Georg Gadamer and his "philosophical hermeneutics," coming after decades of relative obscurity among English-speaking philosophers. The philosophical establishment of the English-speaking world has, at least since the time of Russell and Whitehead, denigrated metaphysics, even more so since the Second World War, perhaps partly guided by the hidden suspicion that the search for the Absolute is precisely what got the hapless Germans into so much trouble. How much better to deal in simple common sense and the astringent beauty of logic than to get tangled up in a bunch of pre-scientific word games searching after "the meaning of being"!

The inescapability of metaphysical questions is rapidly overcoming the prejudice against this mode of inquiry, while the growing interest in the German phenomenologists Martin Heidegger and Edmund Husserl has increased awareness of and interest in other contributors to this tradition. These factors, plus the many new translations of works of German philosophy and criticism being published in the United States, have brought Gadamer's work to a growing audience.

The Positivistic Dead End

The once reigning monarch in the English-speaking world, positivism, is in headlong retreat, even if not all of its loyal retainers are aware of the rout. Within the sciences of nature, the search for algorithms (or mechanical procedures) of theory choice has been virtually called to a halt as philosophers and

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historians of science have repeatedly shown the nonalgorithmic nature of the scientific search for truth. Among the sciences of man, positivism still exerts a shaky suzerainty over certain areas, most notably economics, which often prides itself on its scientific and hard-headed character. But even here, rumblings of revolt are being heard, as more and more humanistic sciences take the "interpretive turn." Even within the citadels of economics, positivism's rivals are vigorously pressing their claims, with the banners of the rhetorical movement, the market process (Austrian) movement, institutionalism, and other upstarts appearing from this turret and that. Positivism's arch rivals, the Austrians, are not merely asserting a rival claim to the throne, in the form of a different method, but more: the claim that positivism is an usurper that has sought to suppress the inescapably interpretive nature of the study of man by man and has misled social scientists about the nature of their own enterprise.

Gadamer's *Truth and Method* appeared in 1960, before much of this revolt was apparent. Its message is all the more powerful now. One of its central aims was to affirm the truth claims of inquiries that are not reducible to the model of science widely assumed at the time to govern the natural sciences along with the quantifiable sciences of man, such as economics and modern political science. Thus, Gadamer was concerned to legitimate talk of the truth of a work of art, as well as of the truth of tradition, of history, and of the various *Geisteswissenschaften* (variously translated as "moral sciences," "human sciences," etc.). His claims were in some ways too modest; rather than simply asserting the truth claims of nonscientific enterprises, we can now see an interpretive element in even the most "scientific" (in the positivistic sense) of the "hard" sciences.

Interpretation

Gadamer's ideas bear many similarities to those of recent philosophers of science, but they have far broader applications as well. Consequently, it is worthwhile to examine just what Gadamer means by "interpretation." Interpretation is a moment (a non-independent part) of the event of understanding, along with the oft-neglected but all-important moment of application. Furthermore, it is not simply an activity of an acting subject, on the same level as eating, reading, or walking. As Heidegger points out in *Being and Time,* understanding is *a mode of Being of* Dasein.

A few paragraphs of unpacking are in order. First, *Dasein* roughly translates as "existence." The prefix *Da* means "there," but it is actually the meaning common to "there" and "here." *Sein,* which is usually translated as "Being" (with a capital "B") is the infinitive form of the verb "to be." Thus, *Dasein* means "to-be-there-(or here)." *Dasein* is distinguished from "man," the object of anthropology, psychology, etc.; it refers to the special kind of human existing, to the very core of what allows people to be human, as opposed to a lamp or a stone. *Dasein* is a more primordial level than man-as-

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object-of-study. Heidegger is interested, to be sure, in questions like "What is it to be a Man?," but he seeks first an understanding of what it is to be.

In thus addressing the question of "What is it to be?" (the *Seinsfrage*) Heidegger proceeds phenomenologically, i.e., descriptively, not reducing the phenomenon to fit within some preset mold, but allowing it to show itself simply as it is in itself. He describes the condition of *Dasein* as "To-be-in-the-world." Through his analysis of *Dasein's* temporality Heidegger reveals the way in which understanding is a constitutive element of the Being (the *Sein*, the "to be") of *Dasein*. Heidegger's major work is not simply *Sein*, but *Sein und Zeit* (*To Be and Time*). While traditional metaphysics takes Being to be timeless, Heidegger shows that it is temporality that provides the key to the understanding of the question of Being.

What is Heidegger getting at? For one thing, he is challenging a number of fundamental prejudices of modernity. In his discussion of time, Heidegger shows that what is primary is not the present, the now; the present is in fact derivative. The traditional approach is to see the present as primary, with the past consisting of presents-that-are-no-longer and the future consisting of presents-that-are-not-yet. Heidegger reverses this relationship, with very significant consequences for the understanding of history, of tradition, of language, and more. It is the present that is derivative; it emerges as the interface between past and future, and it does so in a continuous manner, with future slipping into present into past in a three-fold unity.[1]

A look at how we relate to the world around us may provide some illumination of what Heidegger is attempting. Traditional philosophical thought holds that we find ourselves in a world full of *objects*, of things that can be approached and described through the senses and understood through science. Thus, the piece of common quartz I am now holding in my hand has a mass; it is attracted to other masses with a force inversely proportional to the square of the distances; it has a hexagonal crystalline structure; it is composed principally of silicon dioxide; and so forth. This is the mode of being called "present-at-hand" (*Vorhandenheit*) by Heidegger. If this mode is primordial, we face the problem of how this inert piece of quartz can come to be valuable, or acquire usefulness. Does the mind place it in some relationship to other things? Does the mind add on something called "value"? Where do categories like "good," "valuable," "beautiful," and so on come from? And how can I know something so alienated from myself, something that stands over-against-me as object to my subjectivity?

Heidegger argues that these questions are misleading, for the mode of being present-at-hand is derivative from a more primordial mode of Being which he calls "ready-to-hand" (*Zuhandenheit*). In his famous analysis of tools Heidegger shows how we relate to our world as a world of *significance*. When I approach a door and place my hand on the doorknob to enter, I do not first encounter a brass object with a certain shape, mass, weight, and so forth, reflect on how these properties relate to my purpose, and then take the idea of door opener out of a mental bag and affix it to the otherwise inert object.

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Rather, I put my hand on a *doorknob,* open the door, and walk in. My primordial mode of relating to the world is by relating to things which are useful, things among which I am "at home." The ready-to-hand is more primordial than the present-at-hand, which is a derivative mode of the former. The latter emerges out of the former through a change of attitude on my part; the thing is looked at in a new light, as an object of contemplation. Another way of seeing this difference is by reflecting on how one first encounters things in the world: One encounters them *as* this or that useful item (on which one might sit or walk, or with which one might hit or move something, or whatever) and it is only by means of a change in one's attitude toward them that they can be taken up *objectively;* the "hermeneutic as" of everyday and unreflective Being-in-the-world precedes and provides the foundation for the "apophantical as," the "as" of the assertion or judgment.[2]

What does this have to do with temporality? When I approach a doorknob (or a hammer, or a stone, or a word processor) in this most primordial mode, I have projected (*entwerfen*) a possibility of my own Being (my "to-be") on to the ready-to-hand. Its to-be, its what-it-is- to-be, shows something about my own to-be. I exist futurally, stretched along, as it were. I do not simply exist in a succession of nows, like beads on a string, but the now takes its place within my own futurity, in a context set by that futurity. I never have a now without a future surrounding it. And similarly for the past. I am "thrown" into a situation; I always find myself inescapably where and as I am, and I project possibilities of my own Being out of this thrownness. The present emerges out of this intersection of thrownness and projection, of pastness and futurity. *Dasein* exists as a "thrown project."

Such projection is understanding. It is not simply something I do, like hammering a nail; it is constitutive of what it means to be a subject in the first place. Understanding is constitutive of the primordial unity of the world prior to its cleavage into alienated subjects and objects.

Overcoming Alienation

The foregoing reveals a rather different relationship between man and his past than obtains in other approaches. Man's past is no longer alienated from him as something set over against him; it is constitutive of what he is. The past is not simply a present-that-is-no-longer, but that out of which the present emerges. As Gadamer states in *Truth and Method,* "the hermeneutic importance of temporal distance could be understood only as a result of the ontological direction that Heidegger gave to understanding as an 'existential'"—i.e., a kind of "category" applicable to *Dasein* but preceding the categories traditionally applicable to objects, such as substance, extension, causality, and so forth—"and of his temporal interpretation of the mode of to-be of *Dasein.* Time is no longer primarily a gulf to be bridged because it separates, but it is actually the supportive ground of the process in which the present is rooted."[3]

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If understanding is a mode of the Being of *Dasein,* then trying to understand understanding will prove to be not merely a search for methods to improve our understanding, but a science universal and all-encompassing in scope. Hermeneutics, the understanding of understanding, derives from the Greek verb *hermeneuein,* meaning to interpret or translate. (The name of the Greek divine messenger, Hermes, who brings to us and interprets the messages of the Gods, stems from the same root.) The discipline of hermeneutics has traditionally consisted of rules for the appropriate interpretation of garbled, foreign, or otherwise misunderstood texts.

Gadamer takes hermeneutics much farther than it had been taken by its other expositors. For him, hermeneutics is not simply a set of rules or methods for the understanding of texts alienated from the interpreter by temporal or cultural distantiation, but an attempt to ferret out just what happens when we understand. As he writes in *Truth and Method,* "these studies on hermeneutics, which start from the experience of art and of historical tradition, seek to present the hermeneutic phenomenon in its full extent. It is a question of recognizing in it an experience of truth that must not only be justified philosophically, but which is itself a mode of philosophising. The hermeneutics developed here is not, therefore, a methodology of the human sciences, but an attempt to understand what the human sciences (*Geisteswissenschaften*) truly are, beyond their methodological self-consciousness, and what connects them with the totality of our experience of the world."[4]

Within understanding is found a threefold unity of understanding, interpretation, and application. No one element can be purely isolated from the others. Every understanding is more than a simple repetition of something past; it is an interpretation of it by an interpreter. And each interpretation is an application of what is understood in the context of the "thrown-projection" of the interpreter. This is seen most clearly in the case of legal hermeneutics, where to understand the law is to apply it to a concrete situation. When a judge makes a ruling in a case he or she is interpreting a law, but always in a way that fits it to a concrete situation and *develops* the law in its application. Similarly, a play comes to its full existence only when it is staged, or at least read, and in both cases it is interpreted. There is no *Othello* apart from its presentation and interpretation; this is the only way for it to enjoy objectivity. Gadamer shows that this structure is universal; tradition, for example, also exists only in its interpretation and application, and that means in its progressive development.

A Richer Notion of Rationality

One of Gadamer's main aims in *Truth and Method* is to enlarge the scope accorded to rationality, which has for centuries been confined by philosophers to the instrumental use of reason. To take one example, David Hume remarked that "reason is and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them," and that "actions

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may be laudable or blameable; but they cannot be reasonable or unreasonable."[5] Hume is certainly not the only philosopher to reduce reason to a mere instrument of the passions, and is equally not the only one with whom Gadamer takes issue.

Against this kind of limited conception of reason, Gadamer seeks to expand the scope of rationality. In doing so he draws on the distinction between theoretical and practical wisdom elaborated by Aristotle in his *Nicomachean Ethics* and elsewhere. An examination of several Gadamerian themes will serve to bring out this richer understanding of rationality.

First, Gadamer challenges the "prejudice against prejudices" inherited from the Enlightenment. Prejudice is associated with authority and slavish obeisance to the views, whimsies, or conceits of others. Gadamer devotes a good deal of *Truth and Method* to rehabilitating authority and tradition as sources of truth, and with them the concept of prejudice, which he situates within a more expansive notion of rationality. As Gadamer notes,

> within the enlightenment, the very concept of authority becomes deformed. On the basis of its concept of reason and freedom, the concept of authority could be seen as diametrically opposed to reason and freedom: to be, in fact, blind obedience. This is the meaning that we know, from the usage of their critics, within modern dictatorships.
>
> But this is not the essence of authority. It is true that it is primarily persons that have authority; but the authority of persons is based ultimately, not on the subjection and abdication of reason, but on recognition and knowledge—knowledge, namely, that the other is superior to oneself in judgment and insight and that for this reason his judgment takes precedence, i.e., it has priority over one's own. This is connected with the fact that authority cannot actually be bestowed, but is acquired and must be acquired, if someone is to lay claim to it. It rests on recognition and hence on an act of reason itself which, aware of its own limitations, accepts that others have better understanding. Authority in this sense, properly understood, has nothing to do with blind obedience to a command. Indeed, authority has nothing to do with obedience, but rather with knowledge.[6]

The alleged antithesis between tradition and authority, on the one hand, and reason, on the other, does not exist. In this respect, as in many others, Gadamer's thinking closely parallels that of F. A. Hayek. As Gadamer points out,

> there is no such unconditional antithesis between tradition and reason. . . . Tradition is constantly an element of freedom and of history itself. Even the most genuine and solid tradition does not persist by nature because of the inertia of what once existed. It needs to be affirmed, embraced, cultivated. It is, essentially, preservation, such as is active in all historical change. But preservation is an act of reason, though an in-

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> conspicuous one. For this reason, only what is new, or what is planned, appears as the result of reason. But this is an illusion.[7]

Thus, institutions such as moral customs and language can embody a kind of rationality that stands in contradiction to the constricted scope accorded to reason by what Hayek calls "constructivist rationalism."

In fact, prejudice, in the sense of the *praejudicium,* or the preliminary and provisional judgment of the law courts, is not only *not* an obstacle to understanding; it is its necessary condition. In light of Heidegger's ontological analysis of understanding, Gadamer sees prejudice as that out of which we project our understanding. It is constitutive of our Being in the world; without it, there could be no understanding whatsoever.

Just as F. A. Hayek has shown that explicitly articulated planning could never substitute for the "unplanned" workings of the free society, the prejudices that make us up can never be made fully transparent to us. We can never rise above our thrownness to a position that is outside of history, as Hegel thought he had. (This limitation is what Gadamer refers to as our "finitude.") Just as for Hayek the mores, customs, and traditions which unconsciously but ineluctably shape our actions are liberating rather than stifling, in that they allow us to take advantage of the experiences of generations upon generations of our predecessors without actually having to undergo those experiences anew and on our own, so for Gadamer we enjoy the freedom and possibilities of reason that we do enjoy because of the tradition within which we live and the language that we speak.

This lack of self-transparency, or inability to rise above a position that is unprejudiced or (in terms more common in discussing such matters) "theory neutral," points toward the role of tacit, or unarticulated, knowledge in human life. Gadamer draws here upon the distinction Aristotle makes between theoretical and practical wisdom.

Phronesis, or practical wisdom, differs from theoretical wisdom by the sphere over which it is exercised: theoretical wisdom is knowledge of the unchanging, of being, while practical wisdom is knowledge of the changeable, of the contingent, of *what is for the most part.*[8] Thus, in his *Nicomachean Ethics,* Aristotle speaks of the "mean" as the aim of human action; and, in an approach to difficult problems that is typical of Aristotle, he displays this structure of human action against an appropriate foil, in this case, the mathematical mean. The mathematical mean between 2 and 8 is 4 (2:4::4:8), but that does not mean that the appropriate amount of food to eat when offered between 2 pounds and 8 pounds is always 4 pounds.[9] As Aristotle points out, the mathematical mean for quantities of food might be too small a portion for Milo, a famous wrestler of the time, but "a large one for a man just beginning to go in for athletics."[10] In one of the most beautiful literary sweeps in the history of philosophical thought about human life, Aristotle displays the changeable and contextual "mean relative to us" against this foil of the mathematical mean,

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which is eternal and unchanging. He is thus able to define virtue as "a disposition of choice determing the choice of actions and emotions, consisting essentially in the observance of the mean relative to us, this being determined by principle (*logos*), that is, as the prudent man [*phronimos,* or the one who has *phronesis*] would determine it."[11]

Aristotle does not provide us with any clear and unambiguous rules of conduct; there is no algorithm of right action. What he can and does do is to display the structure of moral action and show the way in which it points to the *phronimos* (the prudent man); he cannot make the knowledge, or the Being, of the *phronimos* fully transparent to consciousness. But he does not leave the determination of right action, of deliberative choice, to a non-rational faculty of desiring, or to the passions. Choice (*prohairesis*) is governed by a *logos,* that is, by a principle or reason, but a reason that is embodied in a human agent. And that governance does not extend merely over the "means" by which the ends are to be attained, but to the recognition of the ends as well. Indeed, for Aristotle the strict separation between means and ends does not exist. They are moments to each other, as the concave is to the convex. What is commonly translated in Aristotle as "the means" is actually better translated as "the toward"; the end shows up in, and cannot be separated from, the "means," or that which is "toward" it. (Notice how strongly redolent this is of the earlier discussion of the "ready-to-hand" of Heidegger's existential analytic of *Dasein;* prior to the cleavage of the world into alienated subjects and objects, there is a primordial unity, encompassing what are only later [ontologically, not necessarily temporally] reflectively distinguished as "means" and "ends.")

Aristotle thus sees rationality as governing much more of life than most modern philosophers are willing to allow. Gadamer follows Aristotle in showing that it is fallacious to hold that since our prejudices cannot be made fully explicit and transparent they must be denied any status as sources of truth and understanding.

Two other Gadamerian themes deserve consideration. They are (1) experience and its dialectical structure and (2) the "fusion of horizons" which makes it possible for us to understand each other. While we are all of us inescapably *historical* beings, formed by our histories and the traditions within which we live (and which live through us), we are nevertheless not simply locked into our separate minds (or worlds); we are capable, if not of complete self-transcendence, of something else: we can "fuse our horizons" with those of our interlocutors. In conversation, for example, we can put our prejudices "at risk" through an openness to the perspective, or world-horizon, or another. We can come to a fusion of horizons with others, to true understanding, without having to ascend together to the ahistorical standpoint of the Hegelian Absolute.

Consciousness is incapable of raising itself to the status of absolute consciousness, or consciousness without presuppositions: it is always within a given horizon. It is in the very nature of the process of learning and experience that the horizon of experiencing consciousness changes. From such

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changes arise tradition. The history of such change leaves an ineliminable residue within consciousness. It is this residue which constitutes what Gadamer calls "effective-historical consciousnesss" or "consciousness exposed to history" (*wirkungsgeschichtliches Bewusstsein*), and it is the awareness of this ineliminable residue which caps the hermeneutical experience.

The Structure of Experience

Gadamer's discussion of hermeneutical experience leads him to an examination of experience in general, in which he appropriates the horizons of Aristotle and Hegel and brings out the truth of both.

An experience of any kind has a certain kind of structure. As Aristotle elaborates in his *Metaphysics* and in his book on science, the *Posterior Analytics*, the unity of experience emerges out of the manifold of perceptions. In the *Metaphysics*, he says that "it is from memory that men acquire experience (*empeiria*), because the numerous memories of the same thing eventually produce the ability (*dunamis*) of a single experience. Experience seems very similar to science and art, but actually it is through experience that men acquire science and art. . . ."[12] Aristotle does not denigrate experience, but does show how it is in some ways superior to *logos:* "It would seem that for practical purposes experience is in no way inferior to art; indeed we see men of experience succeeding more than those who have *logos* without experience. The reason of this is that experience is knowledge of particulars, but art of universals; and actions and the effects produced are all concerned with the particular. For it is not man that the physician cures, except incidentally, but Callias or Socrates or some other man similarly named, who is incidentally a man as well. So if a man has *logos* without experience, and knows the universal, but does not know the particular contained in it, he will often fail in his treatment; for it is the particular that must be treated."[13] (Nevertheless, Aristotle places the man of art and science above the man of mere experience because the former knows the cause, while the latter does not.)

The unity of an experience which emerges out of the multiplicity of perception stands, one might say, halfway between the universality of theory, of science (*episteme*), and the particularity of perception. Out of perception and through memory the unity of experience is formed. But how? Aristotle offers us a remarkable metaphor in the last chapter of his *Posterior Analytics*. (He is searching for the origin of the principles of a science, the principles which are assumed as true by its practitioners and which allow them to arrange truths in the syllogistic form of the demonstration (*apodeixis*), which demonstration brings forth or displays the causal dimension of the Being of the subject of the science. Since for Aristotle scientific knowledge is knowledge of causes and scientific knowledge cannot be acquired by sense perception, it must be acquired through a special kind of scientific inquiry, namely, through demonstrative syllogisms.)

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"Thus," Aristotle explains, "sense perception gives rise to memory, as we hold: and repeated memories of the same thing give rise to experience: because the memories, though numerically many, constitute a single experience. And experience, that is the universal when come to rest as a whole in the soul—the One that corresponds to the Many, the unity that is identically present in them all—provides the starting-point of art and science: art in that which concerns becoming and science in that which concerns being. Thus, these faculties are neither innate as determinate and fully developed, nor derived from other developed faculties on a higher plane of knowledge; they arise from sense-perception, just as, when a retreat has occurred in battle, if one man halts so does another, and then another, until the original position is restored."[14] This "coming to a halt" is the process of induction, and it provides the grounds for art and science through the unity which it brings forth out of the multiplicitous perception of particulars.

But this structure of experience, while it allows us to understand the emergence of unity out of multiplicity, is incomplete. As Gadamer remarks, Aristotle's "image describes this process, but it describes it under over-simplified conditions. As if one could automatically give a straightforward account of experience that contained no contradictions! Aristotle here presupposes that what persists in the flight of observations and emerges as a universal is, in fact, something common to them: the universality of the concept is, for him, ontologically prior. What concerns Aristotle about experience is merely its contribution to the formation of concepts."[15]

It is to Hegel, Gadamer affirms, that we must look for a corrective to this one-sided concern with confirmation. Experience is dialectical, proceeding (like dialogue) by way of contradiction and what Hegel calls "determinate negation." In negating a concept, a new concept emerges. Negation is more than a mere "not," but is positively productive of something new. As Gadamer remarks, "Whether the movement of experience is realized as an expansion into the manifoldness of the contents or as the emergence of continually new forms of mind, the necessity of which is understood by philosophical science, in any case it is a reversal of consciousness. Hegel's dialectical description of experience has some truth."[16]

In this way, the importance of the temporality and historicity of man is emphasized by Gadamer. Truth emerges in time; it is not static and eternal, but dynamic and emergent. Here he uses Hegel's own insights against Hegel. Contrary to Hegel's assertions in the preface to the *Phenomenology of Spirit* that "the True is the whole"—i.e., that what something *is* is known only after history has run its course and the philosopher, who stands in the position of the Absolute, can see its relation to the whole of history—Gadamer insists on the finitude of human existence. While for Hegel "the true shape in which truth exists can only be the scientific system of such truth," because just as the meaning of the whole is dependent on the meaning of the part, so is the meaning of the part dependent on the meaning of the whole, for Gadamer *that whole is never completed;* history never comes to an end.

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The hermeneutic insight that the part derives its meaning from the whole and the whole from the part (as, for example, with respect to the parts and the whole of this sentence, and of this sentence in the paragraph) is fulfilled for Hegel in the closure of the whole of history through its attainment of the Absolute. But Gadamer takes the theme of temporality further than Hegel; Being and truth emerge temporally and exist in no other form. Thus, the meaning of an historical event, rather than being fixed by the closure of the whole of history, is subject to change as history continues. There is no closure to historical process.

This provides a powerful rebuke to those totalitarian theorists who claim to enjoy the privilege of having attained to the Absolute and seen the fixed meaning of history, with which they are determined to strangle the rest of us. But more, it is intimately connected with Gadamer's notion of experience, adumbrated in the preceding paragraphs. The truly experienced man is not the one who "knows it all," but the one who retains "that openness to experience that is encouraged by experience itself."[17]

Conversation as Model

Here, in his examination of the structure of the hermeneutical experience, Gadamer brings forth its essential characteristic: it is an experience of a "Thou," of another person. In our relationship to tradition, to the texts, words, and deeds of the past, we do not simply seek to understand them in the sense of recreating the mental processes that were undergone by others in the past. To do so degrades that which we seek to understand to the status of a mere object, of a thing. Rather, we properly seek to understand the *truth* of what tradition tells us.

Gadamer holds up as an archetype for this understanding the model of the conversation. In a true conversation I do not simply seek to find out what you think (perhaps to use it against you, as in a police interrogation), but to understand the truth you are uttering and to place my own prejudices at risk through my openness to what you have to say. Gadamer uses this relationship of the 'I' and the 'Thou' to illustrate the highest form of hermeneutical experience, the openness to the truth of tradition, of "allowing the validity of the claim made by tradition, not in the sense of simply acknowledging the past in its otherness, but in such a way that it has something to say to me."[18]

We do not say that two people are in a dialogue when one is beating another insensate, i.e., when one is treating the other as a mere thing:

> In human relations the important thing is, as we have seen, to experience the 'Thou' truly as a 'Thou,' i.e., not to overlook his claim and to listen to what he has to say to us. To this end, openness is necessary. But this openness exists ultimately not only for the person to whom one listens, but rather anyone who listens is fundamentally open. Without this kind

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> of openness to one another there is no genuine human relationship. Belonging together always means being able to listen to one another. When two people understand each other, this does not mean that one person "understands" the other, in the sense of surveying him. Similarly, to hear and obey someone does not mean simply that we do blindly what the other desires. We call such a person a slave.[19]

Social Implications

Thus, the model of conversation provides a norm for social intercourse. It is persuasion, not coercion and manipulation, that characterizes the proper relationship of one life to another. What consequences can we glean from this for political theory?

We have already seen that Gadamer effectively legitimates kinds of knowledge that are not susceptible to reduction to consciously articulated plans. This resembles Hayek's defense of the market economy against the common criticism that it is irrational because it is "unplanned." Advocates of the free market point out that the market incorporates the plans of billions of separate individuals. But it remains the case that the overall outcome is not the consciously intended result of any plan. It is the "result of human action, but not of human design." Such is also the case with language, with cultural traditions and mores, indeed, with most of human life. But that does not make these forms of life irrational. What is revealed in this charge is not the irrationality of the market economy or of natural language, but the impoverished notion of rationality exhibited by critics of these social institutions.

The unplanned price system of the market is, indeed, far *more* rational than the decrees of bureaucrats, planning ministries, regulatory commissions, or dictators. A single price incorporates billions of knowledge contributions more effectively and usefully than any large-scale computer model. If, for example, a spate of forest fires diminishes the supply of timber in some remote area, the resulting bidding up of the price by entrepreneurs will convey more information about supply conditions (meaning, along with fires, weather conditions, disease, and every other factor affecting the supply of timber) to the relevant decision-makers in the furniture, toothpick, paper, and construction industries than any central planning system ever could.

But there is more here than simply a defense of the rationality of unarticulatedly planned forms of life. For the model of conversation upheld by Gadamer as the norm for human intercourse is *exemplified* in the free market economy.

While Gadamer does not mention Adam Smith, his views mesh neatly with those of the Scottish philosopher. Smith's concerns went far beyond the kinds of technical questions often associated with economics in the twentieth century and embraced the whole of man's moral life. In a famous passage in his *An*

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Inquiry into the Nature and Causes of the Wealth of Nations. Smith discusses the origin of the division of labor. In the process he brings out both of the elements we have discussed above: the "unplanned" nature of social organization and the normative status of persuasion:

> This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.
>
> Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire.[20]

In *The Wealth of Nations* Smith was reluctant for reasons of space to explore the foundations of the "propensity to truck, barter, and exchange one thing for another," but he was more forthcoming on this topic in his lectures. In his lecture of Wednesday, March 30, 1763, Smith stated, "If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly on the natural inclination every one has to persuade. The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them."[21]

A free market economy is a kind of grand conversation, made possible by man's faculties of reason and speech. The market is not, however, merely a very efficient device for integrating disparate bits of economic data, as many neoclassical economists consider it. It is not simply an information collating system. Rather, it is a forum for *persuasion*. Persuasion is an essential element in our understanding of the market process because the preferences of suppliers and consumers are not merely *data* (simply the Latin term for "givens") to be input into a vast calculating mechanism, thereby yielding a fully determinate result that was implicit initially. Instead, the market exchange process is better illumined by the light cast by rhetoric, the art of persuasion (and one of Gadamer's favorite examples of a process not reducible to explicitly articulated rules). There was no "given" demand for portable computers, video games, genetic engineering, or CD players, to take four recent examples, before they were developed by inventor/entrepreneurs who "created" (*i.e.*, persuaded) the demand for them. In such cases, the end result could not have been implicit in the "initial" conditions, which did not include *any* demand for these items.

As the Nobel laureate economist and pioneer of public choice theory James Buchanan remarks,

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the "order" of the market emerges *only* from the *process* of voluntary exchange among the participating individuals. The "order" is, itself, defined as the outcome of the *process* that defines it. The "it," the allocation-distribution result, does not, and cannot, exist independently of the trading process. Absent this process, there is and can be no "order."

What, then, [is meant] when the order generated by market interaction is made comparable to that order which might emerge from an omniscient, designing single mind? If pushed on this question, economists would say that if the designer could somehow know the utility functions of all participants, along with the constraints, such a mind could, by fiat, duplicate precisely the results that would emerge from the process of market adjustment. By implication, individuals are presumed to carry around with them fully-determined utility functions, and, in the market, they act always to maximize utilities subject to the constraints they confront. As I have noted elsewhere, however, in this presumed setting, there is no genuine choice behavior on the part of anyone. In this model of market process, the relative efficiency of institutional arrangements allowing for spontaneous adjustment stems solely from the *informational* aspects.

This emphasis is misleading. Individuals do not act so as to maximize utilities described in *independently-existing functions*. They confront genuine choices, and the sequence of decisions taken may be conceptualized, *ex post* (after the choices), in terms of "as if" functions that are maximized. But these "as if" functions are, themselves, generated in the choosing process, not separately from such process. If viewed in this perspective, there is no means by which even the most idealized omniscient designer could duplicate the results of voluntary interchange. The potential participants *do not know until they enter the process* what their own choices will be. From this it follows that it is *logically impossible* for an omniscient designer to know, unless, of course, we are to preclude individual freedom of the will. . . . In economics, even among many of those who remain strong advocates of market and market-like organization, the "efficiency" that such market arrangements produce is independently conceptualized. Market arrangements then become "means," which may or may not be relatively best. Until and unless this teleological element is fully exorcised from basic economic theory, economists are likely to remain confused and their discourse confusing.[22]

Thus, a dynamic focus on persuasion provides a far more faithful account of the market *process* than the static model of information collation embraced by many neo-classical economists.

Such a focus also illuminates the relationship between liberty and tradition. Those who assail liberty for being destructive of venerable and long-standing traditions, on account of the constant change which liberty allows, fail to

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understand Gadamer's point about the moment of application as a part of understanding. A tradition is alive only when it is *freely applied* to new situations. Tradition must constantly be reaffirmed, and in its reaffirmation, it changes. To freeze a tradition through coercion is to kill it. The position most consistent with keeping tradition alive is liberty, not coercion.

Even more is at stake than a *defense* of liberty. The critical element within hermeneutics poses a challenge: to systematically seek out and destroy relationships among humans that are coercive and oppressive. Tradition can contain within itself not only forms of liberation but also forms of slavery, of the perpetuated and legitimated oppression of one group by another. As Gadamer never tires of pointing out, however, the perpetuation of tradition is not merely a matter of dogmatic or rote repetition. For in the openness to tradition, as to another person, the critical function of reason is not anesthetized. It remains functional in the activity of human agency, in that all-important moment of *application* whereby the changing life of tradition is maintained.

Criticism proceeds according to standards, whether explicitly articulated or not. Within the exemplary model of the experience of another person—the experience in which we learn from and not simply about another—is a normative claim which can guide criticism in its appropriation/application of tradition. Not all traditions are to be maintained simply because they are old, but only those forged in the crucible of freedom. It is from this crucible that man as rational being emerges at his best. It is this standard of liberty which provides the touchstone for criticism.

Thus, exploitation can and should be rooted out by means of a criticism which both recognizes the legitimacy of tradition and its power of transmitting the truth of experience, and at the same time distinguishes between experiences of freedom and experiences of slavery and exploitation. Within the hermeneutic enterprise we find the necessity of criticism as a moment of understanding; within that same enterprise can emerge a standard of free intercourse among rational beings to guide that criticism.[23]

NOTES

1. This is, essentially, Husserl's much celebrated phenomenology of internal time consciousness, his attempt to work out the way in which transcendental subjectivity—the ultimate substrate which constitutes objectivity—is itself constituted as a unity out of the multiplicitous flow of the contents of consciousness. For a clear and non-jargonistic account of internal time consciousness, see Robert Sokolowski, *Husserlian Meditations* (Evanston: Northwestern University Press, 1975), ch. 6.
2. "The primordial 'as' of an interpretation (*hermeneia*) which understands circumspectively we call the 'existential-*hermeneutical* "as"' in distinction from the '*apophantical* "as"' of the assertion." Martin Heidegger, *Being and Time* (New York: Harper and Row, 1969), 201. See also Edmund Husserl's

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Formal and Transcendental Logic (The Hague: Martinus Nijhoff Publishers, 1978), especially ch. 5, for an examination of the derivative nature of the judgment.

3. Hans-Georg Gadamer, *Truth and Method* (New York: Crossroads Publishing Co., 1982), 264. I have made a few minor changes in the translation, as I will occasionally do with other passages from Gadamer.

   The only edition of this work currently available in English is a mess. Key word families are translated into English with no sense that they are related and are intended to be evocative of each other (e.g., *Wirkungsgeschichte,* effective history, and *Wirklichkeit,* reality, or *zuhören,* to listen, and *Zugehörigkeit,* belongingness). Critically important words are not distinguished: *Erfahrung* and *Erlebnis* are both translated simply as "experience," with no sense of their subtle and important differences. Not only is the translation a problem: typographical errors crop up throughout the book, including missing lines of type which render whole paragraphs unintelligible.

   For these reasons it is most useful to have a good commentary when reading the English translation. Fortunately, Joel C. Weinsheimer's recent book, *Gadamer's Hermeneutics: A Reading of Truth and Method* (New Haven: Yale University Press, 1985) nicely fills that role. Not only does he explicate a difficult text, but his chapter on "Hermeneutics and the Natural Sciences" provides a useful comparison to work in the philosophy of science which appeared after Gadamer's work.
4. *Ibid.*, xiii.
5. David Hume, *A Treatise of Human Nature,* edited by L. A. Selby-Bigge, revised edition by P. H. Nidditch (Oxford: Oxford University Press, 1978), 415, 458.
6. *Truth and Method,* 248.
7. *Ibid.*, 250.
8. When Aristotle considers the topic of choice and deliberation, he remarks, "The deliberated-about presumably must not be taken to include things about which a fool or a madman might deliberate, but to mean what a sensible person would deliberate about. Well, then, nobody deliberates about things eternal, such as the order of the universe, or the incommensurability of the diagonal and the side of a square. . . . We deliberate about things that are in us [or, 'in our control'] and are doable." *Nicomachean Ethics,* 1112a20–31.
9. I have used the example of what we would call a mathematical mean, while Aristotle uses an arithmetical progression in his example; the principle is the same, however.
10. 1106b4.
11. 1107b36–1108a3. This is an appropriate place to mention the false charge of relativism—or at least of providing the slippery slope toward nihilism—often hurled at Gadamer. This charge is simply evidence of the effects of the post-Cartesian heritage on ethical thought; Descartes's re-

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liance on the evidence of "clear and distinct," and therefore more fully articulated, thoughts has poisoned ethics ever since by making such distinctness a requirement for truth. For Aristotle there is no algorithm of choice, but there undeniably *are* the prudent man and the excellent or good man, toward whose standard right action is oriented. So for Gadamer, while the understanding of the law requires interpretation by the judge and its application to a concrete case (as discussed above), there is still *a law* which is interpreted and applied. His view is as distant from nihilism as can be imagined.

It is common to hear the charge that Gadamer dissolves the text completely into its application; the plain fact is, however, that while Gadamer's *corrective stress* has been on the moment of application, the *identity* of the text in its presentations and interpretations is no less important for him. The influence of Husserl's work on ideal objectivity on Gadamer is clear, but a full threshing-out of that issue must await another essay. For now, I refer the reader to the section of *Truth and Method* on legal hermeneutics (especially pp. 293–294, where it is clearly stated that the application of the law is certainly not arbitrary *where there is a law,* as opposed to under conditions of absolute despotism, where the capricious will of the despot is the final say; under such despotic conditions, there is no role for legal hermeneutics.) For an illuminating discussion of this issue, see the confrontation between Gadamer and Jacques Derrida in Philippe Forget (ed.), *Text und Interpretation: Deutsch-französchische Debatte* (Munich: Wilhelm Fink Verlag, 1984).

12. 980b28–981a1.
13. 981a13–24.
14. 100a4–13.
15. *Truth and Method,* 316.
16. *Ibid.,* 318.
17. *Ibid.,* 319.
18. *Ibid.,* 324. It is this principle which serves as the source of Gadamerian criticism. Those (the German neo-Marxist Jürgen Habermas foremost among them) who declare that Gadamer's thought, while useful, contains no foundation for criticism and that it is fundamentally conservative and uncritical toward the inheritance from the past, are mistaken. The normative foundation for criticism provided by Gadamer is enormously powerful, as we shall see.
19. *Ibid.,* 324.
20. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Oxford: Oxford University Press. Glasgow Edition, 1976), 25.
21. Adam Smith, *Lectures on Jurisprudence* (Oxford: Oxford University Press. Glasgow Edition, 1978), 352.
22. James M. Buchanan, "Order Defined in the Process of its Emergence," *Literature of Liberty* 5, no. 4 (Winter, 1982): 5.
23. An example of such a critical enterprise is found in Alexander Rüstow's

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major work, *Freedom and Domination: A Historical Critique of Civilization* (Princeton: Princeton University Press, 1980). Rüstow seeks to expose to critical reason those inherited traditions of domination which provide the foundations for totalitarianism: "Those arrested by the Gestapo were not manacled merely by actual handcuffs; long before, invisible chains had prevented them from resisting what they thought of as divinely ordained authority." For Rüstow, this presents a serious challenge, one which can only be carried out through history: "All of us, without exception, carry this inherited poison within us, in the most varied and unexpected places and in the most diverse forms, often defying perception. All of us, collectively and individually, are accessories to this great sin of all time, this real original sin, a hereditary fault that can be excised and erased only with great difficulty and slowly by an insight into pathology, by a will to recover, by the active remorse of all."

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LETTERS

Polanyi's Critique of Objectivity

TO THE EDITOR:

In David Ramsay Steele's review of my book *National Economic Planning: What Is Left?* ["The Irrationality of Planning," Spring, 1987] he challenges the philosophical views of Michael Polanyi which permeate my whole argument and questions whether such issues have anything to do with my case against economic planning, with which he otherwise largely agrees. Space will not permit me to defend my book's attempt to deploy Polanyi's philosophy in a critique of economic planning. Instead I would like to focus on describing a particular aspect of Polanyi's philosophy, his view of "objectivity," and on defending it from Steele's critique. (For those interested in examining other aspects of Polanyi's philosophy, including the way it relates to the critique of economic planning, I would recommand Harry Prosch's recent study entitled *Michael Polanyi: A Critical Exposition.*) Steele contends both that the image of scientific objectivity which Polanyi criticizes is an absurd caricature of science that nobody has ever believed, and also that were his critique of objectivity accepted the whole project of modern science would be "derailed" from "the track of objective truth." Thus Polanyi's philosophy is, somehow, both "trite and uncontested" and dangerously "irrationalist." Before addressing these two charges it might be useful to examine what, exactly, Polanyi meant by "objectivity."

Steele enumerates five senses of the word "objectivity" which he hazards a "guess" that Polanyi disagrees with in two cases (#2 and #4) and never thought about another (#3). It is true that were Polanyi to have denied what I take to be the substance of any of these five meanings of objectivity he could be accused of irrationalism. Steele might, instead of guessing, have tried taking a look at the opening chapter (entitled "Objectivity") of Polanyi's most famous book, *Personal Knowledge,* to find out what Polanyi means by objectivity. There he would have learned that Polanyi certainly thought about all of these points and would not have disagreed with any of them. As Steele realizes,

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Polanyi never doubted that "the world is there" (#1) nor, contrary to Steele, did he deny that our efforts to know about it are one thing and its sheer existence another (#2). This is clear in all his writings. For example, on the opening page of the Preface to *Personal Knowledge* he says that "knowing is indeed *objective* in the sense of establishing contact with a hidden reality."[1] Moreover, it is evident that it has occurred to Polanyi that the great bulk of science is contained in articulated form in libraries and other retrievable sources rather than held in the memories of scientists (#3). The bulk of chapter 5 (entitled "Articulation") of *Personal Knowledge* elaborates on this very point. Polanyi says, for example, that such articulation is the predominant cause of the intellectual superiority of man over animals, but he also contends that this great achievement is itself due to inarticulable skills.[2] As for the fact that the parts of science that are recoverable from our articulations may not be fully understood, just as we may not fully understand a machine we invented (#4), this is not only *accepted* by Polanyi, it is central to his whole position.[3] And as Steele in this case realizes, Polanyi also agrees that science is "objective" in the sense that "it appeals to common rather than individual standards" dependent on the community of scientists in which the scientist participates (#5).

There is, however, a sense in which Polanyi would disagree with Steele's manner of putting even the first and most innocuous-sounding of these meanings of objectivity: that "the world is there." Strictly speaking *we* are in the world, so it is "here" as well, is it not? The fact that to some extent, varying with different sciences, we are part of what we study ought to be kept in mind. Steele's assertion that science is "external to consciousness" is misleading. Polanyi's philosophical critique is directed at a widespread overreaction to a prescientific anthropomorphism which had found human or god-like purposes in everything. This overreaction, he argues, involved an implicit attempt to "eliminate our human perspective from our picture of the world." Detachment and disinterestedness were taken as the marks of proper scientific objectivity. Against this view Polanyi offers a human-centered philosophy of science which understands the extent to which scientists, even physicists, are *involved* in their subject matter.

Essentially what Polanyi means by "objectivity" is the view of science as an activity in which disinterestedness and detachment are held up as standards for proper performance in the search for truth. His alternative philosophy urges the view that "the impersonality of intense contemplation consists in a complete participation of the person in that which he contemplates and not in his complete detachment."[4]

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The way scientists actually behave can be described as a kind of dwelling in a theory where the tacit judgments of the scientist about what he can "see" from within his theory guide his every move. The predominant view of objectivity as detachment, Polanyi argues, is not only undescriptive of actual scientific practice, it is a dangerous misunderstanding of the nature of science, of mankind, and of the relationship between them.

Is it really the case, as Steele claims (with reference to #2), that it makes no difference whether a scientist believes his theory to be true or not? Einstein, he says, never believed his general theory of relativity was true, and "from the standpoint of science (as opposed to history of science), it would have made no difference" either way. It seems to me that Einstein's actions speak louder than his words. As Steele points out, "to the end of his life he tried unsuccessfully to replace it with a better theory." To fail to find a better theory than X *is* to believe X. Of course Einstein had doubts, as any scientist would, but he did believe, indeed passionately believed in his theory, and that was *why* he spent his life working on it. Polanyi's work shows that in fact it *does* matter what scientists believe, and not "only" to historians of science but to scientists. Indeed he would challenge the attempt to strictly separate the understanding of the content of scientific research from the understanding of the history of science. When we gain a better understanding of an episode in the history of science, we are necessarily also gaining a better understanding of the meaning of the scientific theories this episode is about. Once it is admitted that scientists' personal beliefs matter to the history of science, it is impossible to insulate the understanding of science itself from such beliefs.

Since science triumphed over dogmatism in the Enlightenment it has been widely thought that what makes science work is the fact that while others hold mere beliefs, scientists doubt. Only when a claim has been proven does the scientist relax his universal skepticism and even then he doesn't *believe,* he *knows.* Philosophers of science like to picture the scientist as the unbeliever mercilessly questioning all theories, holding allegiance to none. They want to think of Einstein as disbelieving in his own theory.

The problem with universal doubt as a philosophy of science is that it goes exactly nowhere. A scientist who doubted every theory could never get started. All substantive criticism has to take a position, has to stand on temporarily unquestioned turf in order to challenge another theory's intellectual territory. Science isn't the complete transcendence of belief; it is a particular kind of belief. Scientists don't doubt

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everything, they don't question every challenger to their beliefs, they don't withhold belief in a theory until the unambiguous facts are in. As Polanyi shows in his opening chapter, Einstein and most of the physics community firmly believed in the special theory of relativity long before any clearcut tests confirmed this belief. He doesn't recount this fact to criticize physicists but to praise them.

Steele claims Polanyi never addresses the contention that "since the objectivity claimed for science does not depend upon the personal objectivity of the scientist, indications that scientists often depart from personal objectivity do not call in question the objectivity of science." This completely misunderstands Polanyi's position. Polanyi wasn't trying to *deny* the "objectivity" (in the sense of the truth claim) of science because of the contamination of scientific research with irreducibly personal elements. He was trying to *accredit* the truth-seeking capacity of science because of the skillful contribution of persons to the scientific process. All the undoubtedly necessary standards to which scientists pay allegiance must be skillfully adhered to by individual human beings. This personal contribution to science is not a deviation from some ideal of objective detachment, it is the way science makes whatever progress it achieves.

The danger of adopting objectivity in the sense of detachment as a philosophical standard is, Polanyi thought, particularly acute for the social sciences. The "removal of man" from the study of physics or chemistry leads only to a mistaken philosophy of science, which natural scientists have in practice ignored in any case. But in "the study of man," as Polanyi argues in a book by that name, the objectivistic removal of man has had catastrophic effects. Economics, for example, in striving for this philosophical ideal of detachment, has all but forgotten that it is a human science based on the interpretive understanding of meaningful human actions, not some sort of social physics. The scientist of human affairs neglects at his peril the fact that he is a participant in, and not an external observer of, the meaningful phenomena he studies.

Does anybody really believe in the philosophical position Polanyi labels "objectivism"? There are, it is true, many philosophers today who have come to reject objectivistic views and agree with the main outlines of the Polanyian position. This includes the main contributors to Anglo-American analytic philosophy, as well as the major Continental schools, phenomenology and hermeneutics. And even in that specialized field where objectivistic thinking reached its peak, the phi-

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losophy of science, there has been a strong trend away from objectivism ever since Thomas Kuhn's classic work (which itself was directly influenced by Polanyi) *The Structure of Scientific Revolutions*. If one were to pay attention only to the views of professional philosophers over the past couple of decades one might indeed conclude that Polanyi's criticisms of objectivity are no longer needed.

Unfortunately, however, objectivistic thinking survives despite these encouraging trends in the explicit work of philosophers. It survives in two modes of existence, both of which are predominantly tacit rather than explicit. There are those, apparently including Steele, who in subtle ways still accept standards for science which, were they taken seriously, would amount to objectivism, but who fortunately refrain from being that consistent. And then there are those who take their belief *in* objectivity seriously, though usually still implicitly, and who are led by their tacit philosophical beliefs to positions, such as the advocacy of national economic planning, which Steele and I agree are erroneous.

The first and less consistent mode of implicit belief in objectivity might be illustrated by Steele's review itself. In trying to defend science against what he takes to be Polanyi's irrationalist attack he repeatedly invokes the very metaphor of detachment which he wants to claim nobody except Sherlock Holmes ever believed. The truth of scientists' statements is ensured, he says, by its "independence" from "the feelings or thoughts" of the scientist. He claims we need some rational standards that are both "independent of the professional establishments" in science and "independent of [scientists'] tacit skills." He takes it for granted that were science dependent on scientific institutions or personal skills, this would seriously undermine its claim to truth. Steele, following Karl Popper, adopts a view of science which places primary emphasis on the *separation* of "World 3," that is, scientific statements, from "World 2," the human minds who are making such statements. You can't get much more detached than to be in altogether different worlds.

Admittedly Popper and most of his followers refrain from taking their own standards of objectivity so seriously as to condemn outright the personal dimension of human understanding. Their hope instead is to confine it to the logic of discovery—a mysterious realm of creativity about which, they believe, nothing can be said—and to exorcise the personal dimension from the logic of falsification, which can then be purely objective. It seems to me that Polanyi has shown why this

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dichotomization of science is neither descriptive of scientific practice, since in the real world personal elements enter into all phases of scientific research, nor adequate as a philosophical standard.[5]

Popper and his followers certainly do not *intend* to denigrate the realm of scientific creativity to which they want to confine the personal elements of knowing. But there are those who do. In particular, for example, there is the view, widespread among advocates of national economic planning, that the only sort of "knowledge" that deserves the name is the explicit, fully articulated data that Popper designates World 3. From this philosophical position advocates of planning conclude that if enough government funds are poured into "data collection" it would be feasible to expect those armed with this data to "steer" the process of economic development in a rational manner. Thus, national economic planning is based on a misconception about the nature of knowledge. Human knowledge in actual economic systems exists in predominantly tacit form, deeply embedded in the minds of individual persons. An economy develops by way of unplanned processes of interaction among relatively independent persons who are exercising their personal skills in pursuit of profit. Polanyi has argued that this developmental process cannot possibly be supplanted by deliberate planning, no matter how much explicit data the planning bureau gathers.

Now Steele certainly agrees with me that such planning is thoroughly impossible. What he doesn't seem to appreciate is the way the objectivistic conception of human knowledge as detached data underlies the belief in government planning. He finds "a complete mystery" the connection between my economic case against planning and my philosophical case against objectivism. Space will not permit me to elaborate at length on why I believe epistemological issues are crucial for the economic critique of national planning. I might just suggest that the reason he cannot see the connection may be because he has too strictly dichotomized scientific knowledge both from the practical knowledge relevant to economic decisionmaking and from the history of scientific thought. The personal dimension is excludable, he seems to think, from scientific but not from practical and historical knowledge. Polanyi's work stands as a powerful and as yet unanswered challenge to any such attempt to exclude the personal dimension from science or to sharply separate scientific from other kinds of knowing.

The bulk of Steele's review seems not so much to question whether anybody believes in what Polanyi calls "objectivity" but, on the contrary, to suggest that everybody, or at least anyone who values the

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products of modern science, believes in a kind of "objectivity" which is necessary. It is here that Steele presents us with his five senses of "objectivity" which he fears, unjustly, that Polanyi disputes. One prevalent sense of the word "objectivity," however, which Polanyi does dispute is the view that we can discover objective standards the obedience of which can offer what Steele calls a "guarantee that science will not become derailed and start to build a culpably illusory picture of the world." Twentieth-century philosophy of science is strewn with the carcasses of attempts to supply a strict line of demarcation between true science and non-science, among which, in my view, is Popper's falsificationism. Many skeptics have retreated before this carnage and given up altogether on the struggle to defend truth. Others stubbornly and dogmatically close their eyes to this evident failure of philosophy to guarantee truth through methodological control and cling desperately to one or another of the philosophical systems that make this dubious promise. Polanyi was one of the first modern philosophers to offer an alternative to both dogmatic objectivism and nihilistic skepticism.

Polanyi argued that the scientific community has to rely ultimately on its ability to judge a theory's "potential" in order to decide whether to examine it in detail. Some theories which *seem* crazy to the scientific community will invariably have to be rejected out of hand. Scientists cannot afford to examine every challenge to the laws of physics. "The question arises," says Steele, "whether the scientific community could ever be mistaken, dismissing a result which they ought to take seriously." Not only has this conceptual possibility occurred to Polanyi, the situation actually happened to him. His main contribution to physical chemistry, the potential theory of adsorption, was at first dismissed without careful examination by the scientific community, even though it eventually came to be accepted. Polanyi's reaction to this rejection was not to take offense at the dogmatism of science but to recognize that science can operate in no other way.

It is important to recognize that this anti-objectivist position is not a denial of the commonplace that scientists must rely on *some* standards, or as Steele puts it "that we must *sometimes* [emphasis added] be able to have reasons" for our scientific judgments. The point is that we cannot be expected to *always* have reasons (or reasons for our reasons . . .). The error of objectivism is not that it wants to rely on articulated standards but its assumption that such standards remove the dependence of science on personal and unarticulable skills. The progress of science depends crucially on our tacit abilities to articulate reasons to one another. But our reasons for being persuaded by some reasons and not

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by others ultimately trace to judgments we make personally and for which we have never articulated any reasons. Indeed, without believing in our personal capacity to make skillful judgments the defense of science must founder on an infinite regress.

There are no methodological railroad "tracks" to the Truth from which Polanyi and other anti-objectivist philosophers are "derailing" us. Our discovery of truths depends on our own personal skills in steering research in more promising directions. I believe a similar reliance upon personal skills also underlies the ability of entrepreneurs to steer the economy's investments into more promising directions, and thus that national economic planning is mistaken for much the same reason that objectivistic philosophy is.

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NOTES

1. Michael Polanyi, *Personal Knowledge: Towards a Post-Critical Philosophy* (Chicago: University of Chicago Press, 1958), vii.
2. *Ibid.*, 82.
3. *Ibid.*, 4–5.
4. *Ibid.*, 197.
5. Michael Polanyi, "Genius in Science," *Encounter* 38 (Jan., 1972): 43–50.

DAVID RAMSAY STEELE *replies:*

One way to reply to Don Lavoie's letter would be to reproduce my original review, without further comment, the point being that this would give Lavoie another opportunity to read it. I shall instead begin by listing some of the important ways in which Lavoie misreads my argument:

1. I did not assert that, if Polanyi's attack on objectivity were accepted, science would be "derailed" from "the track of objective truth." I nowhere used the expression "track of objective truth."

2. I did not assert that Polanyi's philosophy was "trite and uncontested." I said that one of the things Polanyi kept repeating (that science is dependent on skilled performance) was "trite and uncontested." A creationist might tell me that apes don't turn into humans every day of the week, and if he kept saying this, I might comment that it is trite and uncontested. This is not the same as saying that creationism is trite and uncontested.

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In his letter, Lavoie keeps up his reiteration of the fact that scientists are emotionally involved in science, which is indeed about as trite and uncontested as anything could be, apparently still under the impression that this in some way supports his subjectivist, irrationalist, and fideist position.

3. I did not assert that "the truth of scientists' statements is ensured . . . by its 'independence' from 'the feelings or thoughts' of the scientist." Nothing ensures the truth of scientists' statements. It is reasonable to surmise that most scientific statements of a theoretical character are *false*, and that this may even remain so as long as science lasts.

It follows straightforwardly from the concept of objective truth (which Lavoie says he accepts) that the truth or falsity of a proposition is independent of anyone's feelings or thoughts (except in cases where the proposition is about someone's feelings or thoughts), but this "independence" does not guarantee any proposition's truth, any more than it guarantees its falsity.

4. I did not assert that "were science dependent on scientific institutions or personal skills . . . this would seriously undermine its claim to truth." First, I don't doubt that scientific theories are pretty generally false, and it seems to me naive to suppose otherwise. (Does Lavoie suppose that the science of 1987 is true, whereas that of 1887 is false, and that of 2087 will be false? Or does he suppose that, precisely in 1987, science has ceased its process of continual self-refutation, so that the science of 2087 will be the same as today's?) Second, it is trite and uncontested that science "depends" (in some senses of that word) on both "scientific institutions" and "personal skills."

5. Lavoie quotes my remark about a "guarantee that science will not become derailed and start to build a culpably illusory picture of the world," and evidently imagines that I think there is or can be such a guarantee. There is not and never can be any such guarantee. The question of such a guarantee arises only for the Polanyiites. Polanyi claims that acceptance of a scientific tradition is an act of faith, a rationally indefensible commitment. He intends by this to show that theology is (at least) as good as science, whereas from any rationalist point of view, theology is much ado about nothing. Polanyi holds that the scientific profession is usually right to dismiss out of hand, without examination, the disturbing criticisms of maverick or heterodox individuals—even where these individuals turn out to be correct and the profession turns out to be mistaken. Polanyi also holds that science is successful in its endeavors to gain an accurate understanding of objective reality. This conjunction of propositions naturally raises the

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question: "Where is the guarantee that science will not become derailed . . . etc.?" The question does not arise for those who do not think that acceptance of science is an irrational act of faith, and who do not think that dogmatic dismissal of novel ideas by the professional consensus is warranted.

The problem for Polanyi's doctrine here is an instance of what we may call *the fundamental problem of faith*. If, to paraphrase the writer of *Hebrews,* faith is the evidence of that of which there is no evidence, how can we decide what to have faith in? The Christian fideist can give us no reason why we should not accept Islam or atheism on faith, and the Polanyiite physicist can give us no reason why we should not accept astrology on faith.

6. The last of Lavoie's misinterpretations which I shall mention is rather interesting, partly because it is not clear whether he has misunderstood me, or Polanyi, or both.

In 1914, Polanyi, then a chemist and not yet a philosopher, advanced the theory of potential adsorption. This theory was dismissed by the profession, leading to some loss of credibility for Polanyi. Some 40 years later, after he had quit chemistry, Polanyi's theory was vindicated, and became accepted by the profession. Polanyi's reaction to this was rather unusual. He asserted, in effect, that the profession's dismissal of his discovery was unavoidable and irreproachable, even though it turned out that the discovery was genuine and important, and even though Polanyi had presented excellent evidence for it. It is important to be clear about this: Polanyi did *not* say that this was an aberration or a regrettable blunder. He held that the profession had been operating normally and properly in taking up its (objectively mistaken) position of dismissing his theory. (It is true that Polanyi also refers to the episode as a "miscarriage of science," but this one remark runs somewhat counter to the predominant tenor of all his other comments.) According to Polanyi, science should not be blamed for being dogmatic, even where it is mistaken. The profession is right, so to speak, even where it is wrong. (Actually, the story of potential adsorption is a little more complicated. See Polanyi's article on this episode in his *Knowing and Being* [Chicago: University of Chicago Press, 1969]. The profession rejected Polanyi's proposal for reasons of theoretical physics of which Polanyi was ignorant at the time. So the rejection of his theory could possibly be defended from a rationalist or objectivist standpoint, even though it turned out to be mistaken. But this is not Polanyi's interpretation.)

In my review I wrote: "The question arises whether the scientific

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community could ever be mistaken, dismissing a result which they ought to take seriously." Lavoie takes me to be referring to cases like Polanyi's potential adsorption theory, where it turned out that Polanyi was objectively right and the profession objectively wrong. I was, however, raising another question. According to Polanyi, the profession's decision to reject his theory was typical of the way science ought normally to behave. There was an error, but it was not culpable. Polanyi would not say that the profession *ought* to have taken his theory seriously. I was raising the question whether cases could arise where we could legitimately blame scientists for blinkered dogmatism, cases of culpable failure of judgment. Since it is clear that the answer to this question is affirmative, I was pointing out that this goes against Polanyi's general case that the judgment of the profession has to be accepted because of its authority. Polanyi's contention is that the decisions of the profession are, in large part, not susceptible to criticism by any rational standards. This is hard to reconcile with scientists' need to discriminate among new theories on rational grounds, and if they are to discriminate on irrational grounds (decide on irrational grounds which theories to accept or reject on irrational grounds), this must prompt the thought that science could easily be derailed (and no one would ever know). It could be replied that we just have to accept on faith that when scientists decide on faith when to rely on faith to reject theories, the outcome will be the pursuit of objective truth. But that reply would merely confirm my view that faith is a malignant infection which, once accepted into the system, spreads until anything can be declared beyond rational discussion.

Either Lavoie has to say that the profession can never err, or he has to concede that it does make sense to apply some external standards to criticize the behavior of the whole profession. But once this concession is made, the circularity of the Polanyiite position becomes embarrassing: the right way for scientists to behave is to be derived only from observing the actual behavior of the profession, which we know is right because the profession follows the right way to behave.

My review contained several arguments to which Lavoie has attempted no reply. He does not respond to my arguments: 1. that according to Polanyi's theory there can be no rational basis for preferring physics to astrology (or vice versa), or Austrian to neoclassical economics (or vice versa); 2. that if scientists' tacit judgement is the ultimate standard appealed to, there is no possibility of deciding that scientists are mistaken; 3. that it makes sense to talk about tacit or subjective *skills* only because these are used to pursue an objective

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goal, or are subject to evaluation by objective standards; 4. that hardly any philosopher has endorsed the picture of dispassionate scientists accumulating "proven" knowledge (Lavoie mentions this, but does not name, say, six philosophers who have endorsed this picture—he does not even name one; how he can hope to get away with this beats me; after all, most philosophers of science have read *Frankenstein, Arrowsmith, The Double Helix,* and so forth; even Hollywood nearly always shows a scientist as monomaniacal about his pet theory); and 5. that the fact that "someone has a subjective motivation is an objective fact which can be explained by an objectivist theory."

In a typing test, the typist has to copy a passage accurately and within a stipulated time. This performance calls upon a whole battery of tacit skills. But the evaluation is objective: whether the passage is complete, and if so, the number of errors. Here, an objective standard regulates and evaluates the performance of "subjective" skills. Someone might object to the result of a particular test, for example by contending that the clock was set wrongly, but we would know what we were arguing about. It would not do to claim that, since typing utilized tacit skills, choosing between two typists was a matter of rationally indefensible commitment, an exercise of faith. What Polanyi claims is *not* merely that science involves the performance of tacit skills, which is undisputed, but that, in the standards used to regulate the performance of those skills, there are subjective skills not regulated by objective standards. Most philosophers of science would distinguish between the generation of theories and their testing, and would say that whether theories are correctly accepted or rejected can be rationally appraised. Polanyi says that this is not so, that in the appraisal (acceptance or rejection) of theories, there is a rationally indefensible, uncriticizable element, which scientists absorb in the course of their training, provided they have the right attitude of devotion and commitment during their training. And, just to be quite clear, Polanyi is not saying merely that this is true historically. We might all agree, for instance, that in the rejection of plate tectonics (the movement of continents) for many years after the theory had been propounded, there was a rationally indefensible element. And equally, there have been rationally indefensible biases which happened to impel scientists to make correct judgments. But we can rationally evaluate these historical developments. We can say that irrational commitments were fortunate or unfortunate in specific cases. We can say that on particular occasions, scientists were too dogmatic, too prejudiced, too unimaginative (or too sloppy, too gullible, too fanciful), and we can give reasons for

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these judgments, and argue about them. But Polanyi says that even at this level, there is a component in the evaluation of theories which is rationally indefensible—and he does not mean only, for instance, such tricky cases as those where evidence is equally balanced or information so inadequate that a rational choice is indeterminate (as in some chess positions where it is impossible to say which of several moves is best). He contends that the scientist has to put his faith in authority, and just reject or accept certain theories, even though the objective evidence points the other way. It is therefore beside the point to keep on repeating that science "depends" on tacit knowledge, or that scientists are passionately involved in their work. It is like the creationist who keeps on repeating that apes don't turn into humans every day: a commonplace fact which does nothing to support the doctrine being advanced.

It seems that Lavoie has misunderstood my reference to the fact that scientists sometimes do not believe their theories to be true. He thinks that this is based on some kind of glorification of "doubt." This has nothing to do with it. I have not claimed that there is any merit in disbelief, or any disgrace in belief. These subjective dispositions are just beside the point. (In any case, "doubt" is not the issue. Einstein was not in any doubt about the matter: he *strongly believed* that his theory was the best around, and he *strongly believed* that it would eventually be superseded by a better theory, i.e. that it was false. Duhem was *convinced* that all scientific theories, including his own, were neither true nor false. There are cases where "doubt" might be applicable, of course. Newton doubted whether his theory of gravitation could possibly be true, since it postulated "action at a distance," which he knew from reading Descartes was impossible. But it might be going a bit too far to say that Newton believed his theory was false. At any rate, it is of no consequence (for the evaluation of Newton's theory) whether he believed it to be true, believed it to be false, believed it to be neither true nor false (for example, merely a useful instrument of prediction), could not make up his mind, or didn't care. If he were a Popperian, he would have believed that if his theory were true he could never know it to be true, whereas if it were false, he might possibly come to know it to be false.

A theory of science has to allow the possibility that scientists may recognize a promising theory and adopt it, without believing it to be true, and even while believing it to be false. A scientist may say: "This new theory is better than its predecessors. It should be accepted by the profession, used as a basis for research, taught in schools, and incorporated into textbooks. It is a great step forward. Oh, and by the way, I

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have a good idea that this theory will be refuted, perhaps before very long." How can scientists rationally prefer a theory which they know to be false? Popper has an answer to this. Lakatos, for example, has a different answer. Polanyi—or at least, Polanyi according to Lavoie—has no answer, because of his requirement that scientists believe their theories to be true.

In response to my contention that Einstein tried unsuccessfully to replace his theory with a better theory, Lavoie says that "to fail to find a better theory than X *is* to believe X." But, following the customary usage of "believe," one may believe (be convinced) that a theory will in time be refuted, and still be unable to supply the refutation. It is curious that Lavoie's defense of subjectivism now leads him to set aside scientists' subjective convictions, on the grounds that their "actions speak louder than [their] words."

Lavoie has a *theory,* the theory that scientists always believe their theories. This theory of Lavoie's is *false* (refuted by the common observation that scientists sometimes say: "This theory is the best we have; it will have to do until a better one comes along"). One way to save a refuted theory is to redefine part of it so that no observation could refute it. This is what Lavoie does here, by redefining "believe" so that any scientist who advances a theory believes it. In this new form, Lavoie's theory is not false; it is empty—it fails to say anything about a connection between subjective states and scientific theories, though such a connection seemed to be the main point of the theory in its original presentation. Notice that to establish the falsity or emptiness of Lavoie's theory we do not have to refer to his, or anyone else's, tacit skills.

Lavoie does not like Popper's sharp distinction between inventing theories and testing them, but I cannot see that Lavoie has anything to complain about. Popper has proposed a "logic" of choice among theories. Neither Polanyi nor Lavoie have proposed a "logic" of inventing theories. If Lavoie did come up with even a plausible one, I have no doubt that Popper would be delighted as well as flabbergasted.

Does the case against national economic planning somehow depend upon a subjectivist epistemology? Do objectivist epistemological views lead to support for national economic planning? Is there a connection? I can find no arguments for this connection in Polanyi's works, in Prosch's book, or in Lavoie's book. This question is, of course, quite apart from the issue of whether subjectivism is correct. Polanyi gives some excellent arguments against planning (I mean his arguments about spontaneous order and planners' limited information) which do not rely upon his subjectivist epistemology.

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I can find only one argument for such a connection in Lavoie's letter. I wish he had given several arguments, or one worth detailed treatment, and I would gladly have foregone saying everything else in my reply in order to discuss his case for the connection of objectivism with planning. Lavoie's one argument asserts that proponents of planning recognize only explicit knowledge as true knowledge, and thus conclude that if enough data are gathered, rational planning will be possible.

The simple reply to this one argument of Lavoie's is that a rationalist and objectivist epistemology does not imply the non-existence or non-importance in the economy of "tacit" skills or unformulated judgments. How could it? People obviously have skills, aptitudes, and capacities for judgment—knowledge which they are unable to formulate. Planning advocates may overlook this, but they certainly don't overlook it because of an objectivist epistemology.

Other objections could also be given to the kind of inference from objectivism to planning which Lavoie envisages. Even if the only knowledge that counted were explicit knowledge, it would not follow that the planners could collect all of it in one place, or that having collected it they could process it into the form of a workable supreme plan. And even most knowledge which is not tacit but is consciously available is not *in fact* formulated, and could not all be formulated—it is this kind of knowledge, much of it detailed knowledge of places, persons, and things, which Hayek has emphasized; it is not "tacit," it is drawn upon by market agents, and it could hardly be all concentrated in one office.

A further comment, inconclusive but pertinent, is that those, aside from Polanyi, who did most to refute the possibility of rational society-wide planning were epistemological objectivists and rationalists (definitely Mises, Weber, and Hayek, and as far as I can tell, Pierson and Brutzkus). Lavoie's remarks suggest that Mises somehow made a mistake in thinking he had grounds for opposing society-wide planning; if Mises had noticed this mistake (without renouncing his objectivist epistemology) he would have accepted that his arguments against socialism were fallacious.

I can, however, present an unanswerable Polanyiite argument for society-wide planning. Planning is a scientific profession; it has its journals, its textbooks, its devotees (imbued with faith), and its products (planning theories). No one outside this profession is in any position to criticize it, much less to debunk it totally, since these outsiders have not performed their acts of devotion, honing their tacit skills, dwelling within their theories. And no internal dissent is legitimate,

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except within the narrow limits imposed by the profession as a whole. The truths of planning theory are sacrosanct, and we have to respect them. It follows that society should be handed over to the planners forthwith.

Maybe this argument is not *entirely* unanswerable. It can be answered by rejecting Polanyiite fideism. It is also true that an equally unanswerable argument can be concocted against planning, simply by pointing to the science of Austrian economics, which says that rational planning is impossible.

Not only do I reject Polanyi's anti-rationalism and fideism, I reject his authoritarianism and intolerance. Both Polanyi and Lavoie discuss science as though it were a unified hierarchical structure, but because any one journal or institute rejects certain theories out of hand, this does not mean that these theories cannot get a hearing, just as the fact that any one newspaper excludes certain material does not endanger freedom of the press. Within a scientific profession, there are competing centers, competing journals and departments. All odd-ball theories can be considered—Polanyi and Lavoie make this sound impracticable only by tacitly assuming that consideration means consideration by the whole profession or the most prestigious journals. No ideas are out of court. Furthermore, there is no strict separation of science from the rest of society. There are many gifted amateurs and fringe organizations—contributions by marginal and amateur thinkers to science are considerable—and many individuals with a foot in the profession and a foot outside it. The suffocating guild-like atmosphere which Polanyi, Kuhn, and Lavoie laud so highly, is only prevented from killing science by the constant guerrilla attacks of cranks, eccentrics, fringe madmen, and anti-social amateurs. Lavoie should know: as an Austrian school economist, he is one of them.

The Two Cultures and Methodology

TO THE EDITOR:

I am sincerely puzzled that my friend Mark Blaug ["Methodology with a Small *m*," Spring, 1987] cannot understand the argument of my book, *The Rhetoric of Economics*. Over the past few years he and several other economic methodologists have participated in conversations about it, and I have personally tried to make it clear to them. But they

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have not understood. If they understood the argument I think they would agree with it, since it merely retails a liberal intellectuality that they themselves practice. The idea that economics might be "criticized" in the sense of literary criticism is implicit in much of their own work. Yet they do not understand. They misread the text. Then they get angry and abusive about what they think it says. What is puzzling is that the non-methodologists by contrast do not seem to have the same trouble reading or the same emotional reaction to what they have read.[1]

Scholars and scientists have no reasonable theory of misreading. When we misread someone else's text we say that the text is badly written—but I think Blaug would say that the text here is not so badly written. When someone else misreads our own text, on the other hand, we academics usually say that the readers are stupid or malicious or lazy—but since Blaug, A. W. Coats, Bruce Caldwell, Alexander Rosenberg, Wade Wands, and the others are intelligent, well-disposed, open-minded, and hard-working the usual academic calumnies would be absurd. The usual calumnies are usually absurd. Most of the people who disagree with us, even though they are misguided, are doing their best, and their best is usually good.

One is left with the Kantian filter, the Marxist ideology, the pragmatic context. These men come to the argument with a theory of science drawn from philosophy. Their theories do not accommodate what I say, because what I say uses the rhetorical and literary half of the Western conversation. So quite naturally they force my words to fit the philosophy, lopping off the excess in the manner of Procrustes. No blame attaches. Their response illustrates a major theme in the book, as we all do each day: that argument is culturally bound, bound in this case by the culture of modernism.

For instance, Blaug and the other methodologists focus on the book's first three chapters, which argue that methodology as conventionally practiced is unhelpful to economics. One can see why the early chapters attract the methodologists: it is speech in their culture, however much they dislike the message. The non-methodologists by contrast focus on the last seven chapters, which offer detailed examples of literary criticism. A literary criticism of economics will seem strange only to a scholar who has invested a lot in its *philosophical* criticism. As Blaug does, he will try to fit the literary criticism to the philosophy. By contrast the non-methodologist has the advantage of naiveté, and does not have to lop off the main work.

Again, the methodologists complain that I attack methodology yet

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adopt a methodology. Blaug makes this point at length. His Kantian filter does not let through the argument that useful method is a matter either of low technicalities (as in the chapters on significance tests) or of high moralities (as in the chapters on the use of style to defend Science.) He does not have an answer to the observation that middle-level and philosophical Methodology has made our scientific culture narrow and intolerant. As someone who has fought narrowness and intolerance in economics throughout his career, Blaug I am sure agrees. The leading case of such intolerance is Karl Popper's use of rigid falsificationism to expel Marxists and psychoanalysts from his "open society." In economics the adoption of the middle level rules Blaug illadvisedly advocates has made economists technically incompetent to deal with statistical significance and morally incompetent to deal with public policy.

Finally, the methodologists assert that I oppose empirical tests. This is Blaug's "silly boy" rhetoric at the end of his piece. (By the way, a study of sneering in academic prose would be fruitful; a working hypothesis might be that sneers drive out other arguments.) The rhetoric is one of desperation, showing how little the methodologists have understood. They have believed for so long that modernism gives a complete account of how the world should affect one's opinions that now they cannot understand broader and more realistic accounts. Either you buy into modernism or you must be some kind of nut. It is the sort of intellectual breadth and tolerance that we have come to expect from the line of Plato, Descartes, and Russell.

Let me reaffirm that I am not against empirical tests, and assert that nothing in the book suggests that I am. *Of course* the "past retrodictions" of monetarism are arguments that we take seriously. (By the way, again, a criterion of retrodiction would erase the demarcation between science and non-science, since astrology easily passes the test; for me this is no problem, since I do not see any use for the demarcation except to close the society, but those like Blaug who are interested in the demarcation may wish to take note.) *Of course* "empirical data" are relevant. Someone who has done as much economic history as I have could hardly speak otherwise.

The point of the book, which Blaug's Kantian filter has prevented him from seeing, is that modernism narrows the meaning of "retrodiction" and "data" down to a nub of meaninglessness. Retrodiction, after all, is the telling of stories, a matter of economic rhetoric to which I have lately given some attention. And the "data" include our self-awareness. The methodology that Blaug advocates would leave us un-

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able to think about storytelling or introspection. The literary criticism that I advocate would allow us to consider these, and tests of significance, too.

I believe Blaug when he says that he was "unable to understand" my reply to Caldwell and Coats.[2] It is difficult to understand French if one does not really believe it is different from English. I hope we can avoid the reaction of the British tourist when confronted with a Frenchman: shout louder, in English.

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NOTES

1. For instance, Robert Heilbroner, "The Murky Economists," *New York Review of Books,* April 24, 1986; cf. John Coates, *Times Literary Supplement,* August 1, 1986; and, in another vein, Tom G. Palmer, "An Economist Looks at His Science," *Humane Studies Review* 4 (Winter 1986–87).
2. *Journal of Economic Literature* 21, no. 2 (June 1984). Some other attempts to bridge the two cultures are my "Sartorial Epistemology in Tatters: A Reply to Martin Hollis," *Economics and Philosophy* 1 (April 1985): 134–137; "A Dialogue on the Two Methodological Systems," *Eastern Economic Journal,* October-December 1985: 293–296; and "Review of D. W. Fiske and R. A. Shweder's Metatheory in Social Science," *Contemporary Sociology* (November 1986).

The Roots of Apartheid

TO THE EDITOR:

I read with great interest Messrs. Boettke, Horwitz and Prychitko's review article on "The Roots of Apartheid" (Winter, 1986–87) and the apparent economic causes of Southern Africa's current political crises. The history of "apartheid"—identified by the reviewers as "the central feature" of South African culture and society—offers an inviting and dangerous minefield for those scholars and policy-makers seeking to comprehend and resolve the region's tragic condition. Apparently safe and convincing paths often lead to oversimplification of the complex historical and structural relationships between the market, race, class and the State in South Africa; such may be the case with the reviewers' reliance on their market-oriented analysis of apartheid's history.

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As the George Mason University scholars and the cited authors recognize, there are many seeming contradictions within the South African economy and polity. It is true that many black South Africans have a higher standard of living than indigenous groups in other African nations; yet no other country on the continent displays such a brutally sanctioned distribution of economic resources on the bases of ethnicity and race. As Merle Lipton points out in her study, black South Africans comprised 72% of the population in 1980, but earned only 29% of the country's personal income.[1] Blacks currently hold only two percent of the desired managerial positions in those model companies "passing" the Sullivan Principles of corporate responsibility. Here is a nation in which the real wages for African mine workers remained nearly constant during the 1911–1969 period, though South Africa achieved an envious long-term economic growth rate. Such imbalances must cause the reader to blink once or twice when W. H. Hutt writes that "(m)ining development has been (directly and indirectly) the greatest single uplifting factor for the poorer races and classes in South Africa, and especially the Africans."[2] How did such conditions evolve over the past century? Are they only the result of not allowing the regional and national market economy to function without political interference? Or are there other, more complex causes of this stark example of what the historian George Fredrickson has termed "white supremacy," of "systematic and self-conscious efforts to make race or color a qualification for membership in the civil community."?[3]

The reviewers and the cited commentators seem to share a general consensus that the answers to such queries about apartheid's history can be found in the historical development of the South African economy. To paraphrase their argument, since 1910 the economic injustices of apartheid, such as the employment "colour bar" and the "influx control" legislation, resulted from political intervention in the growing market economy. Although they did not always agree, State bureaucrats, white labor union leaders and members, and the notorious Randlords (the diamond and gold mines' Captains of Industry, including Cecil Rhodes) interfered with the color-blind profit motive to guarantee economic control, political power and social order. This is, most certainly, a compelling argument; and the reviewers' efforts to "delve far back into South African history" offer some supportive examples. In particular, noteworthy developments such as legislation protecting white employment and the Nationalist Party's stunning electoral victory in 1948 bear out part of this argument. This is not, though, the "true story of apartheid" as is claimed; at least, it is not the complete story.

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The "flawed market" analysis ignores critical developments during the 1870–1910 period, oversimplifies the complex relationships between the British imperial interest, economic elites, laborers and the governments in Southern Africa, and obscures the non-economic causes and effects of the apartheid system. The latter functions as the historical development of South Africa's industrialization process (only momentarily marked by a relatively free market) and as a "high stage" in the persistent confrontation between European and African peoples in the region. The years between the creation of the Kimberley diamond mines and the successful collaboration between Great Britain's agent, Lord Milner, and South African political and economic elites during the Reconstruction period (1902–1910) provide an alternative insight into apartheid's historical roots.

Over twenty years ago the Australian historian Geoffrey Blainey focused on "the lattice of economic and technical problems" confronting the Transvaal gold mining industry to explain the Randlords' political and industrial actions.[4] Ignoring vague theories either of free-market prosperity or of inherent class warfare, Blainey suggested that the particular requirements of long-term mining in the region necessitated either collaboration or confrontation between the magnates and the local political authorities. Although he only extended his analysis to the causes of the controversial Jameson Raid (1895) and the outbreak of the Second Anglo-Boer War (1899–1902), his essay also suggests the roots of apartheid during the late nineteenth century. The fixed international price of gold, the low average grade of the deep-level ore and the extensive capital requirements necessitated control of the supply and remuneration of mine laborers; in particular, the Randlords and their managers focused on the non-white worker, whether from Portugese East Africa, China or Southern Africa. Whereas Blainey was most interested in the magnates' courtship of imperial figures and their rejection of Kruger and other local Boer politicians, we can extrapolate from his findings for our discussion of the pressures forging the apartheid system.

The same industrial conditions that induced Rhodes and Beit to risk war with the Boer Republics stimulated their contributions to the history of legislated racial inequality. Wheatcroft does not emphasize such relationships in his conversational study of the Randlords' and their families' histories; the book is not, as the reviewers contend, "an attempt to link the development of apartheid with that of South African history." In Wheatcroft's view labor compounds, hut taxes and high mine mortality rates resulted from an amoral and almost heroic lust for gold; in fact, the very structure and requirements of the dia-

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mond and gold mining industries and their markets required such measures. After the consolidation of claims at Kimberley in the 1870s, South Africa ceased being the small-scale capitalists' or pan-handlers' paradise; the unfettered market survived for a brief and violent moment—perhaps to be immortalized in the pseudo-entrepreneurial spirit of the frontier Boer Trekker and Farmer myth. Complementing transitions in the distribution and control of capital were the older customs of racial segregation; a crude Pass Law had been legislated as early as 1809.

By emphasizing the market requirements of the expanding mining industries, we can perceive the persistent courtship between the latter and both the government and the growing commercial agriculture sector. Essentially, the mines required large numbers of cheap unskilled workers; Afrikaner and Imperial political leaders desired social order and the creation of a cohesive, but hierarchical, nation-state; and the white farmers desired land and laborers. Not unlike the reciprocating relationships between industry, farming and the State in Canada, British India and the United States during the late nineteenth century, South Africa's sectors also danced to the mutually-pleasing tune of subsidies, legislative protection and shared long-term political interests.[5] One cannot construct a useful dichotomy between free-market capitalism and State-influenced economies for these years; such distinctions are false and the student of South African history should not expect Wheatcroft or others to "distinguish between the workings of truly free markets and those of markets in which government sanctions" favored certain groups. That discrepancy is a non-issue in the early history of the apartheid system. To the contrary, there appears to have been a mutually reinforcing interaction between the ideology and laws of apartheid and the structures of production and distribution in the South African economy. As the South African economist J. L. Sadie recently concluded, racial legislation was not a discrete policy, but, in fact, "reinforced the market forces conducive to economic growth, however inequitable some of them might appear to be." Apartheid resulted, in part, from the shared concerns and objectives of economic prosperity and political order. Racial legislation was not antithetical to the profit motive during these critical years.

The Transvaal Chamber of Mines advocated Pass Regulations as early as 1894. Rand magnates and operators toured Kimberley's "model" labor compounds in pursuit of more efficient recruitment and control of their African workers. De Beers and other companies isolated the male black Africans in cold, overcrowded "company towns."[6] If the

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mining industry offered such Africans an opportunity for social and economic mobility—as has been argued—and, as appears, the costs of such compounds were higher than merely providing a daily wage, why were they built? Was social order valued at a higher premium than unqualified financial profit? How did such early apartheid measures result from and strengthen the collaboration between industry, agriculture and the government?

One answer to such queries was suggested fifteen years ago by Colin Bundy in his provocative article on "The Emergence and Decline of a South African Peasantry."[7] It is odd that the authors of the review article and Lipton, in particular, do not return to Bundy's convincing argument about the early successes of black South African commercial farmers. The early requirements for foodstuffs in the region promoted many successful entrepreneurial ventures on the part of small-scale African farmers; these so-called independent peasants adopted farming innovations, such as crop diversification, and participated in the regional market economy. They provided many of the commodities required by the growing urban and labor centers adjacent to the mines. Here, perhaps, was an opportunity for black South Africans to attain some economic power and an example of the free market's capacity to limit economic injustices. The African peasantry's success was, not surprisingly, anathema to the Boer farmers and to the large-scale mining and agricultural interests. The latter needed cheap, unskilled labor; for nearly two centuries the Afrikaner and European had called upon the Coloured and black African to perform such tasks, and they were not about to change after 1870. Furthermore, African agricultural prosperity threatened to overrun the Boers' earlier dominance of the farming sector and their vision of white supremacy. The crushing of the black African peasant was the first significant chapter in the history of apartheid.

Hut and poll tax payments required national currency; mine labor provided the means to acquire such money. Changes in the control of tenancy and in some cases blatant expropriation of black land provided a strong shove towards the mines. Thus, it was not always a preference for "leisure," as Hutt argued, that had to be remade in the allegedly modern world of wage-labor; rather, it was an economically-viable lifestyle which was destroyed to provoke migration to the Witwatersrand mines. There, the combined interests of capital and the government "advanced" the black African in compounds isolated from his family and extended community. And, during the years in which he stayed away—because of war, revolt or local concerns—the mining in-

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terests turned to other non-white workers. The British colonial and central governments cooperated with the Chamber of Mines Labour Importation Agency to recruit, contract and return over 63,000 Chinese workers during the 1903–1908 period.[8]

Of course the mining industry was not the only sector to expand during the construction of a national economy between 1870 and 1910. The "symbiotic relations" (according to Philip Ehrensaft) between Afrikaner nationalism, economic expansion and the longer-term interests of the British Empire were realized in the apartheid-oriented solutions to labor problems in manufacturing, railway and road building and large-scale commercial agriculture. The alliance of "gold and maize," in particular, forcibly remade black Africans who had previously participated in agricultural commodity production and limited migrant wage labor. Economic injustice according to race was not an atavistic component of this expansion; rather, it appears as an integral part of South Africa's national modernization. During this process of economic development, traditional racial ideologies became institutionalized in the political and economic structure of the new South African nation. The costs of apartheid were not too high for most industrial and agricultural leaders, because their economic success depended in many cases on transforming the independent African peasant and temporary migrant laborer and on complying with what had become an integral part of the country's civil religion. During the crucial years of 1870–1910, racial inequality rarely threatened the realization of profit.

The rituals and ideology of apartheid represented much more than the limited political interests of white labor unions or the governmental bureaucracy; today—as during that era—apartheid prefigures the consensual social and economic chimera of South African "white supremacy."

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NOTES

1. Merle Lipton, *Capitalism Under Apartheid* (Totawa, N.J.: Rowman & Allanheld, 1985), 378, 386.
2. W. H. Hutt, *The Economics of the Colour Bar* (London: Institute of Economic Affairs, 1964), 51.
3. George M. Fredrickson, *White Supremacy: A Comparative Study in American and South African History* (New York: Oxford University Press, 1982).

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4. G. Blainey, "Lost Causes of the Jameson Raid," *Economic History Review,* 2nd ser., 18 (1965): 350–366. For a discussion of Blainey and his critics, see Richard Mendelsohn, "Blainey and the Jameson Raid: The Debate Renewed," *Journal of Southern African Studies* 6 (1980): 157–170.
5. Shula Marks and Stanley Trapido, "Lord Milner and the South African State," *History Workshop* 8 (1979): 50–80; Alan Jeeves, "The Control of Migratory Labour on the South African Gold Mines in the Era of Kruger and Milner," *Journal of Southern African Studies* 2 (1975): 3–29.
6. Rob Turrell, "Kimberley's Model Compounds," *Journal of African History* 25 (1984): 59–75.
7. Colin Bundy, "The Emergence and Decline of a South African Peasantry," *African Affairs* 71 (1972): 369–388; Colin Bundy, *The Rise and Fall of the South African Peasantry* (Berkeley, California: University of California Press, 1979).
8. Peter Richardson, "The Recruiting of Chinese Indentured Labourers for the South African Gold-Mines, 1903–1908," *Journal of African History* 18 (1977): 85–103.

PETER BOETTKE, STEVEN HORWITZ, AND DAVID L. PRYCHITKO
reply:

While Mr. Hoffenberg quite rightly points out that *historically* there never was a free market in South Africa, it does not follow that the distinction between capitalism and state capitalism is a "non-issue."

Perhaps the distinction is best made by Franz Oppenheimer, who in his book *The State* distinguishes between what he calls "economic" and "political" means. Economic means are the use of voluntary exchange and persuasion to obtain ends, while political means involve coercion and the threat of it. While the attempt of the white mine owners to use State power to further their ends "*required* large numbers of cheap, unskilled workers" (emphasis added), and was certainly a move to increase profits, the means employed were not "economic." While it might be "profit-maximizing" for us to club you over the head and take your wallet, the free market does not allow "profitable" behavior that involves coercion.

The market consists of the nexus of voluntary exchanges involving enforceable and exchangeable private property rights. The market is not a place, a thing, a behavioral assertion, or a war of all against all. It is simply the voluntary exchange of justly acquired property. Property rights, though, do not include the right to a certain price, wage or profit. The attempt of the white mine owners to use the State to obtain cheap black labor was an attempt to establish a State-protected right to the profitability of their industry. Similarly, the attempt by white

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union leaders to close out black labor was an attempt to enforce a particular job and wage rate.

The nature of the market is such that profit opportunities constantly shift in accordance with changing consumer desires for goods and services. Profit indicates that someone is serving these needs relatively efficiently. By attempting to freeze profits and raise wages, resources get misallocated, society's needs are not met and injustice results.

It may in fact have been true that the mining industry "required" cheap labor and the white ruling elite wanted to impose social order, and that apartheid "reinforced the market forces conducive to economic growth." However, in a free market economy if such cheap labor could not be obtained by voluntary exchange, the mining industry would be out of luck.

The market is *not* the relentless pursuit of profit in the name of economic growth. Instead, the market is defined ethically, in terms of means, as voluntary exchanges. If an industry's technology requires labor that cannot be obtained voluntarily, then the capitalists should be the losers, not the laborers. The history of South Africa is the story of very mangled market forces trying to break black capital and labor out of the rule of a power elite comprised of white capital and labor in combination with white political leaders.

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